

Finance capital's ultimatum to Lula in Brazil: Impose austerity or your victory “will turn to ashes”

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On Sunday, October 25, millions of Brazilian workers and young people voted against the rise of fascism. The turnaround that re-elected Luiz Inácio Lula da Silva of the Workers Party (PT) was driven by a massive rejection of a new government of the Bolsonaros, which in the preceding weeks brought crowds into the streets and drew to the polls millions of workers and youth who had abstained en masse in the first round.

They also voted in the expectation that the re-elected PT government would turn to the left and address their most pressing social needs. Lula held out the prospect of ending the 6x1 work schedule—six days of work for one day off—and of tax exemptions for the lowest income brackets. In the last debate, when Flávio called him “nine fingers,” an insult that exudes the far right's hatred of the working class, Lula reacted forcefully, recalling that he had lost the finger at 17, on the night shift at a metalworking factory. According to some analysts, this response struck a powerful chord within the working class, helping to secure his victory.

The results at the ballot box were immediately challenged. On Monday, finance capital delivered its own verdict: The Brazilian stock market plunged, the dollar soared and the reelected government began receiving orders to apply the same program of cuts that had been expected from its opponent, dictated with the authority of a dictatorship that submits to no election whatsoever. On Wednesday, the defeated fascistic candidate, Flávio Bolsonaro, proclaimed himself Brazil's president on US soil, under Washington's protection.

The colossal power mobilized by finance capital and US imperialism, first to intervene in the elections and now to determine the program of the elected government under the permanent threat of its overthrow, poses before the Brazilian working class the question of who actually rules.

A parallel government under Washington's protection

Flávio Bolsonaro, a senator from the Liberal Party (PL) and the son of Jair Bolsonaro, the fascistic former president sentenced to 27 years in prison for his abortive January 2023 coup attempt, fled Brazil in defiance of an order of the Supreme Federal Court (STF) and was received in the United States with the express approval of Donald Trump. Hours after landing in Miami, he proclaimed himself “the true president-elect of Brazil,” then swapped the title for the euphemism “the leader of Brazil,” and announced: “I will lead the opposition from here.” His letter launches a “parallel government” based abroad: a counterrevolutionary platform that openly conspires to overthrow the elected government and appeals for a military coup.

Trump, who declared that the vote “looked like another rigged

election,” has so far not recognized Flávio as president. This ambiguous position legitimizes the fraud claim and keeps a cocked gun pointed at the elected government, which can be fired when conditions are deemed favorable.

The sheltering of Flávio crowns more than a year of economic war and open political intervention against Brazil: 50 percent tariffs on “any and all Brazilian products,” sanctions against the justices of the Brazilian Supreme Court, the designation of the country's largest criminal factions as “terrorist organizations” and the reception of Flávio at the White House in the middle of the campaign.

The intervention of US imperialism also manifested itself directly in the campaign, in two cases under investigation: There are indications that Meta, owner of Facebook, Instagram and WhatsApp, limited the reach of Lula's campaign, and an inquiry is examining the Bolsonaroist campaign's relations with the Rockbridge Network, a donor network co-founded by US Vice President JD Vance. This intervention is part of an offensive for the neocolonial domination of Latin America, aimed at asserting direct control over its strategic resources and combating Chinese economic influence, as part of Washington's preparations for war against China.

The orders of finance capital

Alongside this brazen criminal interventionism, the main organs of international finance capital are dictating their demands to the elected Brazilian government, in a tone of command that dispenses with diplomatic niceties.

The British magazine *The Economist* published after the election an editorial titled “Markets are dismayed by Lula's surprise win—and for good reason.” The text argues bluntly: Either the government abandons its campaign promises and submits to the demands of capital, or it will be reduced to “ashes.” The magazine begins by noting that “if Lula's supporters are elated, the markets are running scared,” and adds that “they are right to.”

Lula is accused of having “talked down the need for fiscal discipline” during the campaign and of having promised “an extravagance of big new bungs.” What the spokesmen of the capitalist oligarchy call “extravagance” amounts in fact to crumbs—such as the promise of increased welfare benefits for the poorest and free public transportation on weekends—that do not even begin to address the brutal levels of social inequality in the country.

The Economist concludes flatly that Lula's final four years in office “will have to look very different from the past four” and that he “does not

have much time to persuade investors that he will change course.” Lula’s last term, far from having expanded social spending, was a government of fiscal austerity, and the massive rejection the PT suffered in the first round was a direct product of those policies.

Then come the orders: Lula “should make a start immediately by naming a finance minister whom investors will trust” and “then must announce a credible plan for fiscal reform.”

The *Financial Times* was even more explicit about the mechanism of blackmail. Lula “needs to rein in public spending or his hand could be forced by investors increasingly reluctant to fund his government.” The newspaper even dictates his words to him: “Lula should start by changing his rhetoric.” It recalls that during the campaign the president “said that it was ‘*babaquice*’ or foolishness to talk about fiscal tightening.” Lula must also build “as broad a coalition as possible” in Congress, deepening the alliances of 2022, which, in the FT’s view, did not go far enough to the right. Lula himself indicated in his victory speech that this is his aim: “I did not choose the Congress, the people chose it, and it is with it that I will work and get things passed.”

The dictates of the financial oligarchy are summed up in the sentence with which *The Economist* closes its editorial: If Lula believes that his victory is “an excuse to double down on the policies that saw off Flávio, he will cause a fiscal crisis and a deep recession. His golden victory will turn to ashes.” What capital demands is that the elected government apply the same austerity program the bourgeoisie expected from Flávio Bolsonaro—the same program the IMF has declared “urgent” on a global scale and that brought hundreds of thousands of young people and workers into the streets of France.

The Broad Front prepares to obey

The government did not wait for the inauguration to respond. On Tuesday, Finance Minister Dario Durigan signaled that fiscal adjustment measures will soon be announced by the new government team now being formed.

Among the names most often mentioned to head the Finance Ministry are Vice President Geraldo Alckmin, presented during the campaign as the man who understands fiscal adjustment, and Rafael Fonteles, PT governor of Piauí and one of the coordinators of Lula’s runoff campaign. Known as the “Tarcísio of the left”—a reference to Tarcísio de Freitas, the Bolsonaroist governor of São Paulo—Fonteles privatized the state’s sanitation services, granted highway concessions and imposed a 10-year spending cap.

The pseudo-left is already supplying the rationalization. In an article published after the election, Leonardo Attuch, editor of *Brasil 247*, one of the main media outlets aligned with the PT, argues that fiscal adjustment “should not be taboo” in the fourth term. “It must be recognized that fiscal responsibility is not the exclusive banner of the right, the banks or the financial market,” he writes, before going on to sell the cynical notion that austerity would be beneficial “especially for the poorest.” Fiscal responsibility, he concludes, “should not be seen as a concession to the market.”

The Broad Front government—the coalition that brings together the PT and parties of the traditional right—is cornered. By its very character as a coalition government of the Brazilian bourgeoisie, it is bound to impose the agenda of capital. But the workers and young people, who secured the turnaround in the runoff, voted expecting a government that would serve their interests. Lula will seek a path of half-measures in which there is very little room to maneuver. The longer the subordination of workers and young people to this government and its trade union and political

apparatuses continues, the more disillusionment will turn into demoralization—the ground on which the far right grows stronger and on which the next coup is being prepared.

Imperialism and the strategy of the working class

The situation appears to be a dead end. But the dead end is that of a definite strategy—one that orients the masses toward elections, toward the bourgeoisie and its rotten national state, and toward the construction of bourgeois “democratic fronts” that serve only to deceive the workers and in no way fight fascism.

Lenin explained more than a century ago that imperialism is not a policy that a government can adopt or abandon but the historical stage of capitalism corresponding to the domination of finance capital. That is why no bourgeois national government is capable of effectively confronting imperialism. The struggle against imperialism is inseparable from the struggle against capitalism and can only be waged by the working class, leading the masses of oppressed behind it, and on an international scale.

Young people and workers confronting capitalism in crisis encounter everywhere the same kind of political trap: the coalition government of the Spanish Socialist Workers Party (PSOE) in Spain; La France Insoumise (LFI) of Jean-Luc Mélenchon in France; the Democratic Socialists of America (DSA) in the United States. The struggle for the political independence of the working class from the PT and its government, propped up by the pseudo-left, therefore has an international strategic significance.

The political coalitions these forces defend are heirs to the Stalinist tradition of the Popular Front, whose core is to undermine the political independence of the working class. The result of this political orientation was demonstrated again and again throughout the 20th century in catastrophic defeats for the working class.

In Chile, Salvador Allende’s Popular Unity, elected in 1970, sought to subordinate the revolutionary upsurge of the working class to the limits of bourgeois legality and placed its trust in the “constitutionalist” character of the Armed Forces, while the Nixon administration ordered the CIA to “make the economy scream”—the same weapon that finance capital threatens to wield against Brazil today. Politically disarmed in the face of imperialism and fascism, the Chilean workers were crushed by Gen. Augusto Pinochet’s coup on September 11, 1973. The central strategic question, it became clear, was the preparation of the seizure of state power by the working class.

The power of finance capital and imperialism appears inexorable only from the standpoint of the national state. The same historical epoch that concentrates this power has produced its antagonist: an international working class more numerous and interconnected than ever, which is today rising up against the same program of war and austerity, from France, Greece and Italy to Chile and Mexico. In Brazil, the workers and young people who voted against fascism will collide with the austerity demanded by the markets and implemented by the Broad Front.

The decisive task is to prepare this struggle: to establish the political independence of the working class from all factions of the bourgeoisie, to organize rank-and-file committees independent of the trade union bureaucracy, linked internationally through the International Workers Alliance of Rank-and-File Committees (IWA-RFC) and to arm it with a socialist and internationalist program.



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