

FOCUS

BRAZIL

Brazilian society is currently passing through a period of extreme economic and political tension, from which it is not easy to see the way ahead.

The continuing political crisis stems from an attempt by the controlling group in the military, beginning in 1974, to bring about a transition from an authoritarian military regime to bourgeois civilian government, albeit one which would be controlled by conservative political forces (the model is Greece or Spain). The more far-sighted in the officer corps saw that Brazilian capitalism could not survive without the political incorporation of the new social forces created by the process of rapid capitalist development, and events in Iran served to strengthen this conviction. Furthermore, conflicts and corruption within the armed forces became intolerable, and the business elite was pressing for greater access to state decision-making.

Such a transition is, however, not easy to achieve in a country where at least a majority of the voting population live in considerable misery, and several electoral tests of opinion (which have taken place without the military relinquishing power) have been won by the opposition MDB party (which united political groups opposed to the authoritarian regime across a broad spectrum). After being on the defensive for some time, the regime is now attempting to regain the political initiative by a re-organisation of political forces, whose aim is to fragment the opposition (into reformist and more radical elements) and consolidate electoral support around a Centre-Right party.

The success of this political project of the current ruling group within the military is threatened by many factors. First, by the failure of civilian conservative politicians to formulate a set of reformist proposals to tame the most savage elements of Brazilian capitalism, which might have electoral appeal amongst the mass of the population. Conservative civilian politicians devote most of their time to consolidating their support amongst the country's highly fragmented economic and regional elites, rather than to the task of formulating an even mildly progressive set of reforms.

The second main threat to the transition to conservative civilian rule lies in the fact that opposition groups have not remained passive in the face of manoeuvres by the ruling elite to stabilise the political foundations of Brazilian capitalism. The attempted transition, accompanied by a relaxation of censorship, relative freedom of political association and a general reduction in the level of torture and political repression

created a genuinely more relaxed political atmosphere, in which opposition groups could organise and mobilise public opinion. The opposition was able to keep up the pressure on the government to maintain the momentum towards transition and liberalisation. Its electoral victories came as a result of successful politicisation over issues such as inflation, poverty and the need for democratic reforms. But as part of this process, since 1975 there have suddenly emerged new kinds of political movement, based principally on the social forces in Sao Paulo created by Brazil's extremely rapid industrialisation. These new movements are essentially of a grass roots variety and they are the first movement in Brazilian history, which elite groups have been unable to manipulate.

The working-classes in Sao Paulo have been mobilised over such general issues as the cost-of-living and wage policy, as well as over more local issues, such as water supply, sanitation, local transport etc. Radical members of the Church have been influential in this process. Simultaneously, there emerged a new trade union leadership in Sao

(the arrest of union leaders and the breaking of the car industry strike), Lula has succeeded in becoming the first, national working-class leader in Brazilian history, and it is difficult to see how (short of the most extreme political repression) these new political movements can be prevented from growing. The danger posed by these movements to the managers of the transition is that they are out of control, and the gradual radicalisation of the movement makes it less susceptible to incorporation.

The third threat to the transition lies in the ever-present threat of a coup from hard-line groups within the military, who seem to think that permanent military authoritarianism is the only viable political regime for Brazilian capitalism. This threat is, at times, extremely close, and it forces the ruling group within the armed forces to slow the pace of transition and, at times, even to put it into reverse. The combination of continued political pressure from below and the extremely unstable economic situation (see below) make the threat of hardline military intervention currently greater than it has been for some time.



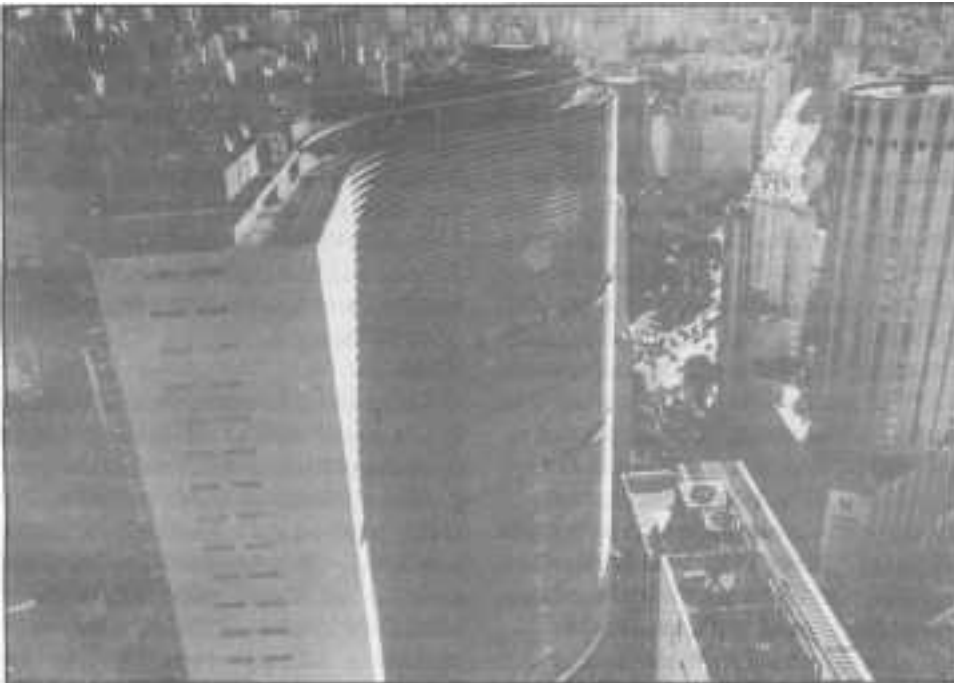
Paulo (whose principal figure is the metalworkers' leader 'Lula'), which succeeded in wresting control from government-controlled syndicate hacks. On the basis of extremely careful organisation, this new, independent leadership succeeded in organising a series of strikes and has contributed to a general raising of political consciousness over wage and inflation issues. In turn, the new union leadership has allied itself to the various grass roots campaigns to form a new Workers' Party, with a radical reform programme. Despite recent setbacks

The first steps towards political reform in 1974 coincided with the end of the period of rapid economic growth (1968-73), known as the Brazilian economic 'miracle', though the two events cannot be considered to be causally related. Rapid growth in this period centred on the industrial sector and was made possible initially by fuller utilisation of spare capacity and subsequently by a tremendous spurt in capital accumulation. The consumer durables (especially automobiles) and the capital goods industries were the leading sectors, with the growth of demand being



This period of rapid growth, gently declining rates of inflation and relative external equilibrium gave way after 1974 to a severe external disequilibrium and accelerating inflation, to which the government's response has generally been a 'stop-go' management cycle and considerably lower rates of growth on average. Despite continuous adjustment to policy, the rate of inflation has gradually accelerated to a current rate of 80% pa, while the external debt has risen to US\$50 billion and the required capital inflow for this year is estimated at US\$16 billion. The causes of the decline in growth and of the recurrence of Brazil's historic problems of inflation and external disequilibrium are a matter of some considerable controversy on the Brazilian Left.

External disequilibrium did not arise solely as the result of the rise in oil prices, though oil imports currently absorb 70% of Brazil's exports of goods and services; in 1974-75, excess demand from the growth spurt inflated the import bill as a result of capacity-shortages and, subsequently, the cost of servicing the debt (interest plus amortisation)



fuelled by a rapid expansion of consumer credit and state and multinational investment spending. Employment growth in manufacturing and construction was very rapid, and although income gains were very unequally distributed, certain (more skilled) manual workers almost certainly experienced real income gains, even though the least skilled manual workers probably suffered absolute impoverishment. A notable feature of the 'miracle' were cuts in the 'social wage' and an emphasis on private as opposed to social consumption.

and profit outflows associated with multinational investment created a purely financial requirement for new borrowing. Government adjusted the growth rate to keep foreign borrowing to within reasonable proportions, but there are obvious political constraints to deflationary action, especially during a period when political liberalisation is being attempted. Currently, Brazil's debt and refinancing problems pose an enormous threat to the stability of the private international financial system. In Brazil, a major threat to continuing political liberalisation

lies in the fact that Brazil will need to have recourse — certainly next year, if not earlier — to the IMF, the enforcement of whose loan conditions may require the return of the hard-line military.

The recurrence of inflation has multiple causes. Imported and oil-related inflation are undoubtedly important elements; in the industrial sector, recession-related higher average costs and possibly higher mark-ups also contribute, as do higher financial costs due to credit contraction. The shortage of food for domestic consumption, which has been exacerbated by the diversion of output to international markets, is a historic source of inflationary pressure, which has never been resolved. The most important new element in the inflationary process has been, initially, government-sponsored attempts to raise manual workers' wages (linked to the political strategy) and, subsequently, the ability of the now more militant workers' movement to defend living standards. Indeed, in general, the ability of all groups in society to resist income losses resulting from terms of trade changes as well as from any form of domestic redistribution between groups has contributed to accelerating inflation. There is no doubt that inflation rates of 80% pa are highly de-stabilising politically, because social groups experience very pronounced fluctuations in real income over relatively short periods of time, despite more frequent adjustments to nominal incomes. The increased industrial and political militancy, which has accompanied mounting inflation, has turned upper-and middle-class groups even more strongly against reformism and strengthened authoritarian tendencies.

The success of the government's political strategy hinges on obtaining an electoral majority for a mildly reformist programme, implemented by the existing civilian conservative political leadership. However, both inflation and external disequilibrium make slow growth inevitable, leaving fewer resources for the mild redistribution, which is the key to the political incorporation of popular groups. Inflation, which to some extent is an expression of increased political freedom, threatens to radicalise further both popular groups and the traditionally conservative elites and middle-classes, while international groups may make anti-working-class policies a pre-condition for further financial assistance. It must be concluded that the prospects for a peaceful transition to a bourgeois political democracy are not very encouraging. At any moment the Brazilian Left fears a return to repressive authoritarian rule.