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Brazil and the Politics of Neoliberalism: President Rousseff Declares War on the Working Class

By Prof. James Petras
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The Brazilian working class is facing the most savage assault on its living standards in over a decade. And it is not just the industrial workers who are under attack. The landless rural workers, public and private salaried employees, teachers and health professionals, the unemployed and the poor are facing massive cuts in income, jobs and welfare payments.

Whatever gains were made between 2003 – 2013 will be reversed. Brazilian workers face a 'decade of infamy'. The Rousseff regime has embraced the politics of "savage capitalism" as personified in the appointment of two of the most extreme advocates of neo-liberal policies

The "Workers Party" and the Ascendancy of Finance Capital

In early December 2014, President Rousseff appointed Joaquin Levy as the new Finance Minister – in effect the new economic czar to run the Brazilian economy. Levy is a leading member of the Brazilian financial oligarchy. Between 2010-2014 he was president of Bradesco Asset Management, an asset arm of the giant conglomerate Bradesco, with more than $130 billion dollars under management. Since his doctoral days at the U of Chicago, Levy is a loyal follower of neo-liberal supremo Professor Milton Friedman, former economic adviser to Chilean military dictator Augusto Pinochet. As a former top official in the International Monetary Fund (1992 – 1999), Levy was a strong advocate of the harsh austerity programs which a decade later impoverished southern Europe and Ireland. During the Presidency of Henrique Cardoso, Levy served as a top economic strategist, directly involved in the massive privatization of lucrative public enterprises – at bargain basement prices – and the liberalization of the financial system which facilitated the illicit financial outflow of $15 billion a year. Levy's presence as a prominent member of Brazil's financial oligarchy and his deep, longstanding ties to international financial institutions is precisely the reason President Rousseff put him in charge of the Brazilian economy. Levy's appointment is part and parcel of Rousseff's embrace of a new strategy of vastly increasing the profits of foreign and domestic finance capital, in the hope of attracting large scale investments to end economic stagnation.

For President Rousseff and her mentor, ex-President Lula DaSilva, the entire economy must be directed to gaining the "confidence" of the capitalist class.

The social policies which were implemented earlier are now subject to elimination or reduction, as the new financial czar Joaquin "Jack the Ripper" Levy, moves forward to implement his "shock therapy". Deep and comprehensive cuts in labor's share of national income is at the top of his agenda. The objective is to concentrate wealth and capital in the upper ten percent in hopes that they will invest and increase growth.

While Levy's appointment represents a decidedly turn to the extreme right, the economic policies and practices of the previous twelve years laid the foundations for the return of a virulent version of neo-liberal orthodoxy.

The Economic Foundations for the Return of Savage Capitations

During the electoral campaign in 2002, Lula DaSilva signed off on an economic agreement with the IMF which guaranteed a budget surplus of 3%. Lula sought to reassure bankers, international financiers and multi-nationals that Brazil would pay its creditors, increase foreign reserves for profit remittance and illicit financial flows overseas.

The Lula regime's adoption of conservative fiscal policies, was accompanied by his austerity policies, reducing public employees' salaries and pensions and providing only marginal increases in the minimum wage. Most of all, Lula supported all of the corrupt privatizations which took place under the preceding Cardoza regime. At the end of Lula's first year in office, 2003, Wall Street hailed Lula as the "Man of the Year" for his "pragmatic policies" and his demobilization and de-radicalization of the major trade unions and social movements. In January 2003, President Lula Da Silva appointed Levy as Treasury Secretary, a position he held until 2006 – the most socially regressive period of the Da Silva Presidency.This period also coincided with a series of enormously lucrative multi-billion dollar corruption scandals involving dozens of top PT officials in the Lula regime receiving kickbacks from leading construction companies

Two events in the middle 2000's allowed Da Silva to moderate his policies and introduce limited social reforms. The commodity boom – a sharp increase in the demand and prices of agro-mineral exports filled the coffers of Treasury. And increased pressure from the trade unions, rural movements and the poor for a share in the economic bonanza led to increases in social spending, wages, salaries and easy credit without affecting the wealth, property and privleges of the elite. With the economic boom, Lula could also satisfy the IMF, the financial sector and the business elite with subsidies, tax breaks, low interest loans and lucrative "overpriced" state contracts. The poor received 1% of the budget via a "family allowance" a $60 dollar a month handout and low paid labor received a higher minimum wage. The cost of social welfare was a fraction of the 40% of the budget that the banks received in payments of principle and interest payments on dubious public debt incurred by previos neo-liberal regimes.

With the end of the boom, the government of Rousseff has reverted back to Lula's orthodox policies of 2003 – 2005 and re-appointed Levy to carry them out.

Levy's Shock Therapy and Its Consequences

Levy's task of re-concentrating income, raising profits and revertng social policies is much harder in 2014 – 2015 than it was in 2003 – 2005. Mainly because, earlier, he was merely continuing the policies of the Cardoso regime – and Lula promised the workers it was only temporary. Today Levy must cut and slash gains that workers and the poor take for granted. In fact in 2013 – 2014 mass urban movements pressed for greater social expenditures for transport, education and health.

To advance Levy's shock therapy ,at some point, repression will be necessary ,as was the case in Chile and Southern Europe when similar austerity policies depressed incomes and multiplied unemployment.

Levy proposes to rescue the interests of finance capital by taking several crucial measures which will be in line with the agenda of Wall Street, City of London and the Brazilian financial moguls. Taken in their entirety, Levy's financial policies amount to "shock treatment" – harsh,rapid economic measures applied against workers living standards, equivalent to electric shocks to patients with disorders ,applied by deranged psychologists who claim that "pain is gain", but more frequently than not, turn patients into zombies or worse.

Levy's first priority is to cut and slash public investments, pensions, unemployment payments and public sector salaries. Under the pretext of "stabilizing the economy" (for the financial groups) he will destabilize the household economy of tens of millions. He will rescind tax breaks for the mass of consumers buying cars, household appliances and 'white goods', thus increasing the costs to millions of working class households or pricing them out of the market. Levy's purpose is to unbalance household budgets (increase debt over income) in order to increase the state budget surplus and ensure full and prompt debt payments to creditors like his own Bradesco conglomerate.

Secondly, Levy will "adjust" prices. More specifically end price controls on fuel, energy and transport so that the financial oligarchs with millions of shares in those sectors can jack-up prices and "adjust" their wealth upward into the billions of dollars. As a result, the working and middle class will have to spend a greater share of their declining income for fuel, transport and energy.

Thirdly, Levy will probably let the currency weaken to promote agro-mineral exports under the guise of greater "competiveness" .But a cheaper currency will increase the cost of imports, especially, of basic foodstuffs and manufactured goods. The de facto devaluation will hit hardest the millions who cannot hedge their savings and favors the financial speculators who will capitalize on currency movements. And comparative studies demonstrate that a cheaper currency doesn't necessarily increase productive investments.

Fourthly, Levy is likely to claim that energy shortfalls due to drought, which has reduced Brazil's hydropower dams, requires "reform" of the energy sector , Levy's euphemism for privatization.He will propose to sell-off the semi-public billion dollar petroleum giant Petrobras,and accelerate the privatization of offshore exploitation sites, at terms favorable to big investment banks.

Fifthly, Levy is likely to slash and burn environmental and business regulations, including those affecting the rain-forest, labor and Indian rights, to facilitate the easy entry and fast exit of financial capital.

Levy's "shock therapy" will have a profound social and economic impact on Brazilian society. Every indication, from past and present experiences, is that in every country "Chicago Boys", like Levy, have applied their "shock" formula, has resulted in profound economic recession, social regression and political unrest.

Contrary to the expectations of President Rousseff, cuts in credit, salaries and public investment will depress the economy – and send it from stagnation into recession. Retrograde budget balancing lessens demand and does not induce productive capital flows. The most dynamic growth sectors in manufacturing, the car industry, will be sharply and adversely affected by the increase in taxes on purchases. And the same goes for appliances.

Heretofore the expansion of public investment has been the main driving force of even the current meagre growth. There is no rational reason to believe that vast flows of private capital will suddenly take up the slack, especially in a shrinking market. This is especially true, if as is likely to happen, class conflict intensifies from across the board reductions in wages, salaries and living standards.

Levy, like all free market fanatics, will argue that recession and regression are short-term, necessary and ,will succeed "in the long run". But in all contemporary countries pursuing his shock formula , the result has been prolonged regression. Greece, Spain, Italy and Portugal are in the seventh year of austerity induced depression and their public debt is growing.

The Real Effective Consequences of Shock Therapy

We have to discard the ideological "stability and growth" claims of the Levyites and look at the real results of the policies he promises.

First and foremost, inequalities will increase because whatever income gains ensue will be concentrated at the top. Government deregulation and fiscal and exchange rate policies, will deepen the imbalances in the economy, favoring creditors over debtors, foreign finance over local manufacturers, owners of capital over wage workers, the private sector over the public.

Levy will indeed "secure the confidence of capital" because what is dubbed as "investor confidence" rests on an unimpeded license to plunder the environment, reduce wages and eploit a growing reserve army of unemployed.

Conclusion

Levy's shock therapy will heighten class tension and inevitably result in the break-down of the social pact between the so-calledWorkers Party regime and the trade unions, the landless rural workers and the urban social movements.

Rousseff and the leadership of the self-styled "Workers' Party" regime, faced with economic stagnation resulting from the decline in commodity prices and the decision of private capital to withhold investments, could have chosen to socialize the economy, end crony capitalism and increase public investment.Instead it capitulated. Rousseff has recycled the orthodox neo-liberal policies which Lula implemented during the first two years of his regime.

Instead of mobilizing workers and professionals for deeper structural changes, Rousseff and Lula Da Silva are counting on the "left-wing" of the PT to complain, criticize and conform. They are counting on the co-opted leaders of the trade union confederation (CUT), to hyperventilate and confine themselves to inconsequential symbolic protests which will not disrupt Levy's "shock therapy". However, the scope, depth and extremism of Levy's so-called adjustment and stabilization program will provoke general strikes, first and foremost in the public sector. The cutbacks in the auto industry and rise in unemployment, will result in job action in the manufacturing sector. The cuts in public investment and rise in the costs of transport, health care and education will revive the mass urban movements.

Within a year, Rousseff and Levy's shock policies will convert Brazil into a boiling cauldron of social discontent. Lula's pseudo-populist gestures and empty rhetoric will have no effect.

Rousseff will not be able to convince working people to accept Levy's class biased "austerity" program, his incentives "to gain the confidence of international markets" and his incomes policies shrinking incomes of the vast majority of working people.

Levy's policies will deepen the recession, not "re-awaken the animal spirits of entrepreneurs". After a year of "more pain and no gain" (except for higher profits for financiers and agro-mineral exporters), President Rousseff will face the inevitable negative political outcome of having lost the support of the workers, middle class and rural poor without gaining the support of the business and financial elite – they have their own reliable party leaders. Once having put in place his radically regressive free market policies, and having provoked massive popular discontent, Levy will resign and return to the presidency of Bradesco, the multi-billion dollar investment fund,claiming "mission accomplished"

Rousseff might replace Levy and try to 'moderate' his 'shock therapy'. But by then it will be too little too late. The Workers' Party will end up in the dust bin of history . Rousseff's decision to appoint Levy as economic czar is a declaration of class war .And in order to win the class war, we cannot exclude that the radically regressive policies will be enforced by state violence – the repression of mass urban protests, the savage dislodgement of peaceful landless rural workers occupying fallow lands.

The "Workers' Party" regime's turn from "inclusive neo-liberalism" to Friedmanite free market extremism will radicalize andpolarize Brazilian society. The oligarchy will push to remilitarize civil society. This in turn, will spur the growth of class conscious social movements, like those that ended twenty years of military rule. Perhaps this time, the social upheaval may not end in a liberal-democracy; perhaps the comming struggle will bring Brazil closer to a socialist republic.

For media inquiries: publications@globalresearch.ca