

THE CHALLENGES OF A TRAGEDY

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And my despair, being complete, continuous and founded on judgement and certainty, consents to no merry signs and fantasies about the future [...]

Leopardi, *Operette Morali*

At the center of the challenges we must face is the so-called *process of financial globalization*. Far from being historically fortuitous, it is the deliberate result of a set of political decisions made by the United States. During the 1970s, the US opened its financial markets and embraced a policy of currency overvaluation¹; by the end of the period, it began to encourage the rest of the world to finance such policy, with the so-called *strong dollar diplomacy*.

Until the fall of Soviet communism, the capitalist world confronted itself with the ideas of revolution in underdeveloped countries and of socialism in developed industrial countries. The rise of the reformist/socialist Left in Europe in the 60s and 70s was in glaring contrast with the Latin American dictatorships. The latter, after the *cooling off* of populism and “developmentalism”, began having a hard time with the revolutionary actions of various leftist armed groups and, from that time on, the social deterioration of the life of Latin American people has only grown. A

1. Tavares, Maria da Conceição. *Presentation of the Book Tobin or not Tobin? by François Chesnais*, São Paulo, Unesp/Attac, 1999, p. 5.

transition that withstands to this day seems to still navigate in history, integrating progress and backwardness, while witnessing increased impoverishment, with the inclusion of new throngs of disadvantaged at the base of precariousness and intermittence.

The historical worldwide fact that ensued from American political decisions was the unbridled growth of an international financial system alienated from production, in which financial gains are created and appropriated by speculative mechanisms. Aldo Ferrer remembers that “the growth of international financial activities is spectacular, much greater than that of the real economy. Let us recall some representative indicators. [...] In the early 60s, international bank loans accounted for 6.2% of all fixed capital investment in the world. Today, the ratio is in excess of 130%”².

In global terms, “only a minute fraction of operations, estimated at 3% by the more rigorous and at 8% by the more condescending observers, have to do with compensating transactions in international trade or serve as vehicles for transferring capital to productive investments”³. According to “the most recent report from the United Nations Commission on Trade and Development, [...] the world economy’s average annual growth rate was slightly more than 2% between 1989 and 1998. The world’s per capita income has fallen, while the already massive inequalities were aggravated both between and within countries”⁴.

The worldwide reorganization of capitalism, now under the aegis of global “financialization”, adopted severe transference mechanisms for a large part of the *adjustment costs* – for the peripheral and semi-peripheral countries. This process continues to generate grave and unpredictable social crises because, unlike earlier European laborers, most of the working classes have nothing and had anything to lose, living as they do on the edge of misery: “[...] the danger of current policies is that they favor the wealth of developed countries to the detriment of an ample

2. Ferrer, Aldo. “La Globalización, la Crisis Financeira y América Latina” in Boron, Atilio, Julio Gambina & Naum Minsburg (orgs.), *Tiempos Violentos – Neoliberalismo, Globalización y Desigualdad en América Latina*, Buenos Aires, Clacso/Eudeba, 1999, p. 89.
3. Chesnais, François. *op. cit.*, p. 47.
4. *Idem*, p. 69.

middle class, and favor the European Community and a small number of successful developing countries to the detriment of the poor of Africa, South America and Asia. Such inequality limits demand and, thus, growth, by imposing structural limits to actual demand. If the current attitudes of Anglo-Saxon elites prevail, the world will end up with a rich aristocracy, catered to by an elite of merchants and artisans, and a pauperized and underemployed mass”⁵.

In Latin America, the substitution of formally democratic civil governments for military regimes was accompanied by a profound economic reorganization – even though social inequalities remained. The easement of repressive policies brought about by these inchoate democracies was concomitant with a new worldwide phase in the development of capitalism as a world system and occurred within a new international economic order that was soon demanding swift adjustments from the continent.

The *manner* by which *financial globalization* operates is, therefore, a highly powerful political choice⁶. The “*worldlization*” of the economy, however, derives from the development of capitalism in the modern world and can be traced back to the *age of navigation*. This conceptual differentiation is important, because, by understanding it, we may outline the true challenges that await us as a *nation with claims of sovereignty*.

5. Hirst, Paul. “Globalização: Mito ou Realidade?” in *Globalização: O Fato e o Mito*, Rio de Janeiro, UERJ, 1998, pp. 119-120.
6. Tavares, Maria da Conceição, *op. cit.*, pp. 5-6: “Financial globalization is not, therefore, a ‘natural’ fact brought about by the ‘market’, but the result of deliberate financial policies of a hegemonic power. The currency markets, the stock exchange, the non-banking financial markets and, finally, the debt markets, did not become ‘interdependent’ and ‘global’ merely because of the ‘expansive nature inherent in international capitalism since its origins’. They are the offshoot of the defensive and offensive policies of the dominant power in its relations with the rest of the world”. Obs.: François Chesnais (p. 20) prefers to use the term worldlization for the universalization of the world’s finances instead of globalization: “The abandonment of fixed exchange rates and the adoption, two years later, of a system of floating exchange rates, whereby private financial operators perform a decisive role in determining the relative prices of currencies (the exchange rates) was the first step to establish a worldlized financial market” (Grifei, T. G.).

Brazil's dramatic social predicament is a result of this dual integrating motion: globalization/worldization. Its challenges for the next century will be determined by the historical situation derived from the *accelerated urbanization* that initially promoted social ascension and has today been integrated into a global system that is tutored by financial capital and increases the concentration of income and poverty⁷. The figures of the social deterioration in Brazil are well known⁸.

The beneficiaries of this model planned the continuity of the process by means of a Multilateral Investments Agreement that hopes to provide a legal framework, grounded on International Public Law, to the neoliberal world order. Although facing intense resistance, it continually forces every antineoliberal government program to give in to apparently dead-end situations.

The social policies and the economic project that began to be implemented during the Collor administration were followed by the two terms of Fernando Henrique Cardoso's mandate: "[...] victorious in the first round [1994 elections: first election, first mandate], [...] it quickly effectuated big capital's political project: its parliamentary base, patterned on venality and jobbery and comprising the old and new oligarchies, made sure that the social project outlined in the 1988

7. Rossi, Clovis. "Pobreza Abala Tese Liberal" in *Folha de S.Paulo*, May 27, 1999. "[...] since the great devaluation of the peso in 1994, people have lost 39% of their purchasing power. From 1997 on, the number of paupers has been growing faster than the population".
8. Gonçalves, Reinaldo. "Distribuição de Riqueza e Renda: Alternativa para a Crise Brasileira" in *O Desmonte da Nação: Balanço do Governo FHC*, Petrópolis, Vozes, 1999, pp. 45-46: "Four hundred thousand families, a little more than 1.5 million people, control approximately 20% of the national income and more than half of the stock of national wealth. Considering a GDP of US\$ 800 billion and a net stock of private wealth of US\$ 2 trillion, the Brazilian elites have control over an annual income of approximately US\$ 160 billion and detain wealth estimated in US\$ 1.1 trillion, corresponding to an mean annual income per household of US\$ 400,000 and a mean wealth per household of US\$ 2.7 million. The remaining 99% of the Brazilian population (39.6 million families or 158 million people) have an average annual household income of US\$ 16,000 and an average family wealth of US\$ 24,000. Thus the average income of the elites is 25 times greater and its average wealth 110 times greater than that of the rest of the Brazilian population. As a term of comparison, one may mention that in the United States the corresponding proportions (economic elite versus remaining of the population) are 9 for income and 35 for wealth".

Constitution would become unfeasible – under the pretext of ‘modernizing the country’, ‘joining the First World’ and other catch phrases. The first Cardoso administration, sustained by an unanimous media the likes of which not even Brazil’s dictatorial regime could forcefully muster, acted with great efficiency against the social alternative propounded in the Constitution on two spheres: on the legal sphere by giving form to a constitutional reform/review that eventually deleted fundamental elements from the Charter (the ‘welfare reform’ is emblematic here); and on the practical/concrete sphere, even more substantially, by giving free reign to a ‘development model’ that eroded economic/financial foundations in order to implement the aforementioned alternative in the future”⁹.

Brazil’s specific historical trajectory, imprinted by a neoliberal economics and way of life, began in the central countries and compelled most of the planet. From the *product* of this worldization/globalization process ensued two basic consequences for countries such as ours: one in the realm of institutions, the other in the economic/financial realm. Domestically, these also stem from political decisions made by the government, which clearly *chose to pre-empt any resistance to the strategies of the central countries*, particularly the United States.

In Brazil, the process of economic expansion of the 70s (which was sustained by an intensive resort to foreign loans with floating interest rates), coupled with crises fueled by increased oil prices in 1973 and 1978, and the explosion of interest rates that burst the country’s external accounts, led to galloping indebtedness and, with it, a dramatic weakening of the State – a process further aggravated by the fact that all resources were internally misused¹⁰.

Among the most glaring consequences of Brazil’s subservient insertion in the global system, one may mention the *reduced normative and inductive power of the State*, now subordinated to the *pure* movement of capital, and the creation a legal system that has gradually lost contact with social realities¹¹ and seeks its sources of

9. Netto, José Paulo. “FHC e a Política Social: Um Desastre para as Massas Trabalhadoras” in *O Desmonte da Nação: Balanço do Governo FHC*, *op. cit.*, p. 79.

10. Navarro, Zander. Text provided by the author, p. 2.

11. Habermas, Jürgen. *Droit et Démocratie*, Paris, Gallimard, 1992, p. 20: “The tension that exists between normative approaches, always threatened of losing contact with social reality, and objective approaches, which creates abstractions of all normative aspects [...]”.

legitimacy outside the nation's political scene and apart from popular sovereignty. This legal system can only acquire legitimacy by endorsing an *economic model based on speculative "neo-rentism"* that generates a foolhardy internal system of venal complicity and interests among privileged groups and classes – who, moreover, to not hesitate to criminalize policies aimed at adjusting the internal process to the movements of financial capital, thus turning authoritarianism and sub-citizenship into something both *normal* and *inevitable*¹².

Obviously, both effects will unfold differently in the central countries and in the peripheral and semi-peripheral countries¹³. In semi-peripheral countries such as Brazil, such effects blatantly tend to create a society fractured into *social spaces which politics finds hard to articulate*. Therefore, the degree of conflict among these spaces depends not only on how the State deals with crises but also on the ad hoc flows of financial capital during times of greater instability – since practically all strata of society, to a greater or lesser degree, enjoy (only a few) or suffer the effects of the crisis.

These social spaces comprise the following segments: the party of the *included* (i.e., inserted in a society of classes), the party of the *semi-included* (intermittent and precarious) and the party of the marginalized or *excluded* (those *dispensable* from the neoliberal feast), each of which establishes increasingly conflictive relations in the social milieu. The *insecurity* that derives from seeing the dissolution of a society that one knew before becomes a recurrent element of existence. On the other hand, the *estrangement between generations* is exacerbated by the family's loss

12. Viera, Liszt. *Cidadania e Globalização*, Rio de Janeiro, Record, 1997, p. 91: "Habermas points to three possible ways the social crisis may unfold. First, the underclass creates social tensions that must then be controlled by repressive means. In the United States, for instance, prisons receive 100,000 new inmates per year, have a convict population of 1.3 million and absorb US\$ 35 billion a year from taxpayers. The United States spends six times more on prisoners than Brazil on federal universities" (*Folha de S.Paulo*, July 21, 1996).

13. *Folha de S.Paulo*. Special "Year 2000" Supplement, May 2, 1999, p. 3: "According to a survey by Habitat (UN), in 1993 per capita income in Lagos was just US\$ 68 per year. In New York, one of the three major global cities and also a megacity, per capita income was 183 times greater, US\$ 12,420".

of control over consumption and by the conspicuous consumption of privileged social groups who flaunt a way of life suggested by the media – and which, for the masses in general, is *unattainable*.

For the necessary adjustments in the central countries to be transferred to semi-peripheral countries, such as Brazil, required an exhaustive propagandizing of specific *myths*. Thanks to the inertia produced by insecurity, these myths were able to disseminate amidst the elite and in large portions of the population specific *certainties* that *welded* a social bloc in support of neoliberal policies. These policies are mandatory to promote *deregulation* (which weakens the State's ability to intervene) and the *pliability* of rights (the effect of which is always to mold a more *competitive* society). These myths are continuously reproduced by the media.

Diminishing the normative power of the State – a requirement of neoliberalism to mastermind its reforms – was also an attempt to reduce public spending. However, not only was there no reduction in practice, but indebtedness actually increased: “All other types of expenditures displayed significant increases, particularly interest payments on the debt. This is curious, to say the least, because an assumption of the end of the Keynesian State is, precisely, control of the public deficit. An closer examination of the figures shows that the most significant average item in government spending are transferals and subsidies, which grew from 6% of GNP in 1960 to almost 25% in 1990. To all appearances, national States continue not only spending much, but also taking out more and more loans to pay for these expenditures”¹⁴.

Let us examine two examples of programmed mythicizing¹⁵:

The myth that the Brazilian State *seizes resources from the private sector*. This myth obfuscates the historical fact that, in modern Brazil, the State was, at first, the financier/inductor of the agrarian sector and, later, of the industrial sector – with some brief exceptions in certain lesser moments of the country's economic life.

The myth that the Brazilian economy was *always an economy closed to the world economy* and, therefore, needs a “disordered shock of openness”. This myth,

14. Dupas, Gilberto. *Economia Global e Exclusão Social: Pobreza, Emprego, Estado e o Futuro do Capitalismo*, Rio de Janeiro, Paz e Terra, 1999, p. 90.

15. Benjamin, César. *op. cit.*, pp. 51-52.

as Reinaldo Gonçalves has shown, forgets that the country's entire economic history relied on international insertions of varying degrees of depth, according to international economic circumstances.

Brazil's challenges, therefore, are not only marked by a democratic deficit that derives, at present, from the molding of an *État de Droit* (Rule of Law) appropriate to the neoliberal project, but also from the interruption of the process of establishing the nation itself, due to the absence of a national development project. This project should take into account, today, two concrete determinations that spell out the *challenge*:

A nation cannot become a nation *outside* the worldization of the economy.

Nor can it become a nation *within* financial globalization. Worldlized economic relations are compulsory: no country may immerse itself in them, retaining its sovereignty and safeguarding its national interests, if it does not break with financial *globalization*.

The rupture with financial globalization would imply the interruption of the so-called *snowball effect*. Let us examine a source *above any suspicion*: the *Auberger* report (named after the reporter of the Finance Commission of the National Assembly [France] in 1994). Its content is perfectly pertinent to Brazil: "Since 1983, public debt has been subject to a process of spontaneous growth, to a 'snowball effect'. Its average cost, influenced by the historically high level of real interest rates and by the increase of the negotiable portion of the debt, is higher than the rate of economic growth. Thus, from this moment on, servicing the debt spontaneously increases the deficit, adding to the overall debt stock at the end of the year, which must be refinanced at a cost. This mechanism, once set in motion, implies increased indebtedness vis-à-vis the GDP, even if the primary deficit is approaching a balanced situation"¹⁶.

Therefore, considering capitalism's ongoing development process, I would like to point out what I consider to be the *five basic challenges* we will be forced to face over this century. Depending on our response to them, we may find the answer to others (dependent on these), which in turn will determine if Brazil will, or will not, be able to become a nation.

16. Chesnais, François. *op. cit.*, pp. 30-31.

Providing Adequate Technological Support to Preserve and Renew our Historical Production Base

To enable Brazil's production base to occupy a series of *niches of competitiveness* in the world economic order, we must reorder our internal economic and social relations in parallel by attributing *another meaning* to the production process, derived from adequate technologies and domestic energy matrices.

The issue of technological support is closely related to the energy matrix. Even if we don't deign to consider the short-term, but only the medium-term future (50 years), we must somehow articulate our national project's technological strategy with the energy sources of the future "because the major instrument of natural power, energy, resulting from nuclear fusion occurring in the Sun's nucleus, is located therein. One needs only to decolonize the minds of the peoples located in these regions for everything to change. On the other hand, if colonized minds are maintained as the ruling class, this will only assure submission to an external power"¹⁷.

Reforming the Brazilian State

With the aim of placing it under public control, an internal normative mechanism must be created, capable of *re-founding* the ongoing social contract, which has shown itself to be impotent to assert the sovereignty of the State, to induce endogenous economic development, and to provide a huge mass of Brazilians the minimal conditions for the exercise of citizenship.

Even though it is not an issue that pertains exclusively to the working classes, *re-founding* the social contract in Brazil will not be successful unless the working classes develop a minimum of awareness and take on an active role in this re-foundation. At present, these classes are paralyzed with the threat of unemployment. Thus, the resumption of economic growth will most likely stimulate their movements and demands: "To find the way out from this defensive stance constitutes an

17. Vidal, J. W. Bautista and Gilberto Felisberto Vasconcellos. *Poder dos Trópicos*, São Paulo, Casa Amarela, 1998, p. 256.

extraordinary challenge for workers' organizations, which must be able to once more oppose the governmental policies that engendered such a profound regression in the structures of production and in domestic employment, while at the same time proposing alternative policies and, in a joint effort with other social forces, establishing a broad movement capable of democratically supporting a new national project"¹⁸.

Conscientiously Inducing the Internal Mass-Market

This means re-ordering the class structure of Brazilian society by means of a planned induction of an internal mass-market¹⁹ to fulfill the basic needs of the Brazilian population. This induction must be sustained by a strong fiscal and income policy with distributive features, and by a land reform that, in addition to radically changing the country's agrarian structure, also promotes the technological capabilities of small- and medium-size food producing farmsteads.

It is essential to combine fiscal policy and a conscious, orderly process of income distribution: "Fiscal policy, firmly aimed at distributing income and wealth may also become one of the pillars of the *macroeconomic stabilization* process in the country. A solidarity tax, for instance, may be the central axis for macroeconomic adjustments, allowing the country to resume growth and dodge the current course of instability and crisis brought about by the strategic and policy mistakes of the Cardoso administration"²⁰.

18. Mattoso, Jorge. "Produção e Emprego: Renascer das Cinzas" in *O Desmonte da Nação: Balanço do Governo FHC*, Petrópolis, Vozes, 1999, p. 131.

19. Furtado, Celso. "Brasil: Para Retornar o Crescimento". Document written specially for the Conselho Político da Frente Democrática e Popular in September 1999: "The market has its own rationality, but is unsuited to determine any kind of development strategy. One must also take social rationality into account, which stems from the idea of a people having common interests. The market is essential, but its priorities are distinct from those of a government that acts with the whole of the nation in mind. We need a development policy that values the internal market, based on a system of selective imports".

20. Gonçalves, Reinaldo. *op. cit.*, p. 61.

Intervening Positively in the Labor Market

Intervening in the labor market is something that may be accomplished by large public works programs, by programs to *compose* and *recompose* our infrastructure and generate orders for the private sector – with exceptional control of the corruption process that usually attends such programs.

The inducement of the labor market by public purchase orders aimed at mobilizing the endogenous production facilities is essential to invigorate the labor market and establish an *internal* economic base. It is incorrect and backward to depend mainly on foreign capital, however productive, because multinational companies exert strong pressure on domestic ones. While it is true that they induce a certain development, “they are also companies with deep-seated bonds to their native countries, and their actions in the global scenario are in tune with the interests of those national States”²¹, in other words, the central countries.

Reversing the Flow of the Balance of Trade

Reverting the flow of the balance of trade could generate reserves that would gradually *free us from the need for short-term capital*. Domestic savings could be stimulated to support this program by resorting to the same protective mechanisms of the central countries.

But reverting the flow of the balance of trade is possible only if the government is committed to a national project to *close* the economy at a level that might be sustained by new international political alliances. The accumulation of foreign

21. Carnoy, Martin. “As Multinacionais: Amigas ou Inimigas na Hora de Criar uma Nova Ordem Econômica Internacional?” in *El Socialismo del Futuro*, Madrid, Fundación Sistema, 1991, n. 4, p. 131: “Even if Japanese (and some European) multinationals are not state-owned, they are in fact ‘linked to the State’, i.e., their operations may be determined by powerful state policies that grant them advantages over domestic companies and over multinational works. [...] For all these reasons, large international companies are much more multinational than transnational. They have their roots in national economies and in national systems of production, and operate in other economies through their affiliates”.

exchange, *via* balance of trade, is essential to free the country from its historical *need for short-term speculative capital*.

The crises of *social policies* and *national interests* have not ceased, even in the advanced capitalist countries that are the direct or indirect beneficiaries of capitalism's "financialization". Social-democrat criticism of the *Bundesbank* is emblematic: "The challenge for a note-issuing bank can be best sustained by keeping price increases within limits and by simultaneously assuring stable growth and employment. The *Bundesbank* has clearly failed to accomplish this task over the last 15 years"²². Although the social problems mentioned above are far more serious in the peripheral and semi-peripheral countries, the central countries have also suffered, and continue to suffer, albeit on an infinitely lower level.

Internally, in the peripheral and semi-peripheral countries, the *costs of adjustment* are obviously distributed in a radically unequal manner, because "whenever there is an economic shock, such as the one that hit Brazil [...], its burden is also distributed unequally. The poor end up suffering more"²³.

But how do these challenges – which are challenges facing the world and Brazil – affect socialists, whether reformists or even partisans of a socialist/revolutionary project in the old or new style? The heart of the matter is that it is utterly impossible to conceive any transformation in the State or in society having a socializing or socialist character – of power and of wealth – if the country has no national ambition to materialize in a national project. Without a national ambition transformed into a national project, intercourse with the economy/world can only deepen internal inequalities, undermine even more the social classes, generate growing unemployment and marginalization, and extinguish in increasing degrees the social players capable (both psychologically and ideologically) of opening to

22. Lafontaine, Oskar and Christa Muller. *No Hay que Tener Miedo a la Globalización*, Madrid, Biblioteca Nueva, 1998, p. 285.

23. Passos, José Meirelles. "Pobres e Miseráveis Pagarão Mais pela Crise". *Folha de S.Paulo*, February 2, 1999, p. 25.

discussion the issue of equality, which is likewise the political *motor* of the capitalist development.

Being unable and incapable to do so, a national project will not restore the traditional class society of the second Industrial Revolution. Even less will it restore its classic industrial plants or its Taylorist projects, which are at the source of this century's capitalist modernization. Its great movement to constitute new social protagonists – through jobs or spaces of *activity* – derives from the utopian idea, achievable within limits, of *mass inclusion*. This idea can sufficiently subvert the economy and the way of life of neoliberalism to destabilize it, as neoliberalism requires *social exclusion* in order to reproduce itself.

It is known that the *national issues* of these years of transition from one millennium to another will not harbor the same answers of the 60s and 70s, when the national Lefts could apparently benefit themselves from the logistic support of an expanding USSR and, theoretically, from the contradictions that sprung from the dispute of *competing systems*. Every national project will have to be linked, directly or indirectly, to the economy/world – the same economy/world, by the way, that Cuba strives to join by thwarting the blockade and in which China hopes to have an increasingly relevant role.

The historical/structural issue that precedes all other issues derives from the fact that today the entire world is ruled by “a single technical system”²⁴ to which all others are submitted. If we realize that “only 7% of companies in developing countries are making the necessary investments to reap the full benefits of new technologies, according to a survey quoted by James Schiro, CEO of Pricewaterhouse Coopers”²⁵ and that “80% of the transactions generated by international e-commerce originate in American companies, compared with only 10% in European and 5% in Asian firms”²⁶, we will see that the task of reverting the current hegemonic scenario is Cyclopean.

24. Santos, Milton. 3. ed., *A Natureza do Espaço: Técnica e Tempo. Razão e Emoção*. São Paulo, Hucitec, 1999, p. 176.

25. Rossi, Clovis. “No Mundo Novo, Poucos Chegam ao Pico”. *Folha de S.Paulo*, February 6, 2000, pp. 2-9.

26. *Idem, ibidem*.

Thus, the issue of overwhelming complexity, to which all challenges are subordinated, derives from this question: To what possible degree can political forces around the world reorganize themselves and lay the requisite foundations to break away from *capitalism/money*? All structural challenges of Brazilian society are inexorably determined by the new international relations. The response to such challenges requires not only great internal social cohesion but also bold political action in the international scenario, which only great national leaders would have the courage and the conditions to bring about: *the epic challenge deserves heroic responses to elude the persistence of tragedy*.

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