Crouching Cosmopolitanism

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"I'll always bitterly remember the despair with which we laid our eyes glistening with pride on that calamitous car, chock-full with yokels, that the hand of providence had brought in procession to the festivities of the Pan-American Congress. We had opened our house to guests of rare distinction from all the nations of America. We even received North Americans! […] At the height of the party, as if fallen from heaven or ascended from hell, this God-awful band of savages, with scraggly heads of shoulder-length hair, began mixing with our well-groomed companions, ruining the grandeur of the homage, demoralizing us in the presence of foreigners, destroying our chicness with their exoticism".

The Week, *Jornal do Comércio* (Rio de Janeiro, March 30, 1908),
quoted in Nicolau Sevcenko's *Literatura como Missão*.

What is God's and What is Man's

It became fashionable to diverge about the future of Brazil pursuant, in the 1980s, to varying diagnoses of the nature of the crisis, the State's loss of course and the absence of a development strategy, and, in the 1990s, to discussions on the origin, nature and goals of the adjustments and reforms implemented by the three elected governments during that period. That was a time when people debated whether the Brazilian government should or should not align itself with the *Washington Consensus*[1] and with policies with neoliberal overtones. However, as the new century ushered in, this debate was rendered totally outdated. After the article-testimonial by Joseph Stiglitz (member of the economic advisory board to the US presidency and former head economist of the International Bank for Reconstruction and Development) published in *Folha de S.Paulo* on April 15, 2000, about the crisis that began in 1997, it became crystal-clear how the US Treasury and the IMF enforce, *urbe et orbi*, the very same policies and economic reforms on debtor countries and on countries that have suffered crises in their finances or in their balance of payments. In 1999, after signing an Agreement with the IMF enabling the Brazilian government to face the terminal crisis of the *Plano Real* with an international loan, no one cared any longer to discusses whether the country still had a policy of its own to follow, or what were the nature and objectives of the decisions that had to be made to achieve the goals defined by the Agreement itself. Now, no one can remain unaware of how the US Treasury and the IMF act hand-in-hand in the tutelage of other countries, whether run by small local bureaucrats or by direct representatives of multilateral agencies.

1. The Washington Consensus comprises ten policy instruments that the US government and international financial institutions based on American capital see as necessary elements of a "first stage policy reform". To wit: *fiscal discipline* (strict criteria for limiting budget deficits); *public expenditure priorities* (away from subsidies and towards "neglected fields with high economic returns and the potential to improve income distribution, such as primary health and education, and infrastructure"; *tax reform* (broadening the tax base and cutting marginal tax rates); *financial liberalization* (interest rates should ideally be market-determined); *exchange rates* (should be managed to induce rapid growth in non-traditional exports); *trade liberalization* (tariffs not quotas, and declining tariffs to around 10 per cent within 10 years); *foreign direct investment* (no barriers and "equality" with domestic firms; *privatization* (state enterprises should be privatized); *deregulation* (abolition of "regulations that impede the entry of new firms or restrict competition", and establishing "such criteria as safety, environmental protection, or prudential supervision of financial institutions" as the means to justify those which remain; *property rights* (secure rights without excessive costs and available to the informal sector). See Wilks, Alex. *New Leaf or Fig Leaf* in Bretton Woods Project (www.brettonwoodsproject.org), March 2000.

Be as it may, the important is to understand that this tutelage was not merely an external imposition: prior to the 1999 Agreement, accepting it was an internal option by our economic and political elites – which today ruled over by a thriving alliance between what we might call the *crouching cosmopolitanism* of the intelligentsia in the states of São Paulo and Rio de Janeiro, yoked to the *great international financiers*, and the *localism* of those who command the Brazilian *hinterlands* and our urban *easygoing roguery*. This power alliance is pushing to its ultimate consequences the project of international insertion and radical transnationalization of Brazilian decision centers and economic structures, all based on a diagnosis of the trends of contemporary capitalism that they deem realist, whose laws would thus be unappealable and compelling for a country located in the periphery of the new global order. Although no more than vassal realism and vulgar economics, it has managed to bring together liberals and Marxists in a new intellectual power bloc, now deeply enrooted in the Brazilian academy. That is why, as the new decade begins, the contradictions involving Brazil's future must be sieved by a discussion of this misguided reading of the transformations occurring in the world and their more likely consequences upon our economy and society.

The "New Renaissance"

The *long duration* of the universe in which Brazil developed into a nation-State coincides with that of Europe's capitalist modernity and the imperial expansion of its territorial States. But Brazil's immediate future in the international scenario will occur within a juncture in time that was arose at the end of World War II and went through a decisive *breaking point* in the late 1960s. Between 1968 and 1973, there was a veritable cluster of decisions and events whose more long-lasting consequences eventually changed the face of the capitalist system and determined the coordinates of the new century's disputes for world power and wealth between peoples, States and nations. This was a time of enhanced and multiplied escalation of social conflicts in the central countries, of victories for various groups fighting for national liberation in the periphery of the *American order,* and of *undisciplined* private capital fleeing into the eurodollar market as major American allies in Europe and Asia questioned US international policy. These facts and the responses to the challenges they represent are at the root of the changes leading to the *second* *great transformation* of the capitalist order that crystallized in the latter quarter of the 20th century. In extremely simplified form, they may be grouped in seven fields or fundamental dimensions.

The first, geopolitical in nature, comprises the crisis and restoration of American world hegemony, with the end of the Soviet Union and of the Cold War, and the current reassertion of the North Atlantic as political/military and economic epicenter of the capitalist world.

The second occurred in the political/ideological realm and its roots can be traced to the crisis of *democratic ungovernableness,* culminating in the liberal/conservative restoration foreshadowed in the US, in the Nixon administration, but wholly victorious only after the electoral victories of Margaret Thatcher and Ronald Reagan in the 1980s.

The third great transformation occurred in the economic sphere, in production, but mainly in the monetary/financial sector that concentrated the hard nucleus of what would eventually be called globalization. Its origins also date back to the 1960s and to beginnings of the process of financial deregulation process that started off with the creation of the eurodollar market and took a second step with the end of the currency exchange parity system agreed to in Bretton Woods. Its expansion, however, would only occur in the 1980s and was intimately related to the policies introduced by Anglo-Saxon governments and later universalized through *competitive deregulation*. As a finished product, it emerged in 1990s: a private and deregulated world finance in whose veins rentist wealth circulates and accumulates at the rate of $3 to 4 trillion a day.

The fourth great change goes by the name of *technological revolution*. Its fundamental inventions and discoveries occurred during World War II but these would only find economic use would after the economic crisis of the 1970s, which engendered the changes in production and management that increased productivity and profitability, especially after 1990, at the cost of, in large measure, a colossal reduction in the number of jobs.

The fifth transformation is occurring in labor or employment. Deflationary policies and technological changes have led to a slowdown in investments and to a restructuring of production, massively affecting the world of labor – from the point of view of the number of available jobs, compensation, unionization and social and labor rights.

The sixth transformation occurred within the periphery of capitalism and represented a radical change in the strategy followed by its principal States since World War II to promote economic development. This major change in strategy was another result of the world economic crisis that spread out from the central countries after the end of the Bretton Woods system, reaching the peripheral economies in the 1980s. As a more or less general rule, these countries emerged one decade later, in the late 1990s, as a relatively homogeneous universe in terms of their economic policies and their disordered and subordinate insertion into international private finances.

The seventh refers to the uniformity nurturing the current belief in the universal loss of sovereignty by national States. As a matter of fact, the number of national States *increased* over the last 25 years, and what some consider an argument to legitimize their abdication of national power is actually no more than the increased gap between the power and wealth of States in the *central nucleus* of the system and those in the periphery.

With only minor variations, practically every analyst today agrees that these were the major changes in the last quarter of a century affecting the geopolitics and geoeconomics of the world as organized after World War II under the aegis of the inter-State competition between the United States and the Soviet Union. The great divergences are not about this, but in the manner by which each one interprets the overall movement, hierarchizing its resolutions and extracting from it different propositions and consequences.

On one side, liberals and Marxists seem to be aligned, subscribing to the hegemonic interpretation and stressing the economic aspects of the 20th century second *great transformation*. For them, this is a necessary and unappealable consequence of technological transformation that, coupled with the expansion of markets, tore down territorial frontiers and laid waste national economic projects by promoting a virtuous and mandatory reduction in the sovereignty of the States. From then on, economic globalization itself and the power of the marketplace will supposedly promote the progressive homogenization of wealth and development through free trade and absolute freedom of circulation for private capital, eventually leading humanity towards a global government, perpetual peace and a *cosmopolitan democracy*.

From our point of view, this hegemonic view has a strong ideological bias and, ultimately, reproduces the essentials of the old liberal utopia – which since the

18th century has been reiteratively announcing and propounding the *dénouement* and final hour of capitalism, namely, a global market unfettered by problems of national particularism and state protectionism. The problem is that such a utopia has been repeatedly denied by the actual course of capitalism's economic and political history, and seems increasingly distant from what has actually occurred over the last 25 years. For us, the phenomenon of economic globalization is inseparable from political and ideological transformations and from the social consequences of this period. It is not a technological imposition, nor is it a purely economic phenomenon involving new forms of social and political domination that have resulted in conflicts, strategies and the victorious imposition of certain interests, both internationally and in the internal domain of each national State.

In this sense, our view of the rupture and transformations that began to unfold in the 1970s corresponds to a broader view or theory of the dynamics of historical capitalism and of its permanence and regularity, which pervade the breaking points and remain in force as "long-term structural laws of the system", to use Fernand Braudel's expression. It should be stressed that these structures and regularities include a simultaneous and interrelated movement of accumulation of power and wealth, leveraged at once by the competition between States and by a relationship of domination between ruling powers and subordinate social groups and countries. Since capitalism was established as both a global and national economic system and since the territorial States were constituted there have been certain constant rules of relationship among States and between States and private capital. It is usually accepted that capital has always had a globalized vocation that was permanently contained by territorial powers and by *stinginess* of the States. But this is not a true-to-life view of facts and history. Since their inception, not only the territorial States but also capital itself have shown the same compulsive and competitive vocation for imperialism and globalization. It was so both during the first European colonial wave (between 1500 and France's defeat in the dispute with England for the commercial domination of India in the latter half of the 18th century) and in the second great colonial wave, once again inaugurated in India in the latter half of the 19th century.

In this sense, our understanding of the great transformation occurring at the end of the 20th century not only assumes a structural view of capitalist modernity different from that of "economicism", no matter if liberal or Marxist, but has an equally discrete conception of the cycle or circumstances in which these changes occur. For us, they are products of explicit political and financial strategies imposed upon the world since the early 1980s by the Anglo-Saxon axis – whose roots, however, date back from much earlier, from the struggle of interests and the discussions that redesigned the world scene after World War II.

The Sad Fate of Brazilian *Modernization*

Brazil did not have a relevant role in the geopolitics of the Cold War. Throughout the 20th century, however, it established an almost automatic alignment with US international policy, retaining during this period the condition of main economic partner of the United States in the South American periphery. Immanuell Wallerstein classifies Brazil as one of the countries belonging to the "semi-periphery" of the system, an economic and political zone that, given its dimensions and dynamism, according to him, exerts a decisive role in the "depolarization" of the international economic and political order. That is why, during the Cold War, even without being included among the countries whose "development on demand" received strong support from the US government, Brazil became a laboratory for a joint – public and private – development strategy that provided for every segment of central capitalism.

Because of this special status, Brazil was less sensitive to economic fluctuations and to the changes in the strategic course of the post-World War II cycle. During its *developmentalist period,* Brazil was one of the few underdeveloped countries that managed to achieve almost every foreseeable stage in the process of tardy industrialization, with one of the world's highest average growth rates. On the other hand, when the belated neoliberal reversion occurred, at the end of the Cold War, the country still proceeded very radically and at great speed: in a few short years, Brazil carried out a very complex agenda that stretched out for a much longer period of time in other countries. However, in spite of the thrust and velocity of this second liberalizing movement, its economic and social results were disappointing. So much so that by the end of the 20th century, 50 years after the classic debate between Roberto Simonsen and Eugênio Gudin about Brazil's economic vocation, the quandary seems to involve, once again, choosing between developmentalism and liberalism. Thus, reviewing some of the decisive steps of this trajectory might be to the point here.

Soon after the inflection of US foreign policy in 1947, and especially after the victories of the Chinese Revolution and the Korean War, *developmentalism* became the capitalist response – tolerated by liberals – to the socialist project for underdeveloped countries. We might almost say, paraphrasing John Williamson a few decades later, that this was the very first *Washington Consensus* – developmentalist in character – in spite of the fact that the International Monetary Fund's ideology of *stabilization* was already unquestionable.

If we look at this same inflection in regard to Brazil, we will see that Brazilian developmentalism was also pragmatic in form and managed to agglutinate practically every segment of the ruling classes and their elites. As a rule, and almost naturally, only the more dynamic sectors, or those represented by leading industrial sectors, are placed under the spotlight in sociological and political studies. In Brazil, this elite was concentrated in São Paulo, around the metal-mechanical complex that was emerging at the time, with the automobile industry up front. This was the more *modern* component of Brazilian capitalism, born out of multinational capital. However, other equally important components, albeit perhaps less *modern* from the economic and political standpoint, also found their space within the *developmentalist coalition*.

Indeed, at that time, development was not only *intensive* and concentrated in certain sectors and geographic areas, but was also accompanied by the permanent expansion of the agrarian and urban frontiers, creating enormous possibilities for increasing one's holdings. The system of financial intermediation, for instance, which ran parallel to the growth of the real economy, remained in the hands of domestic capital. On the other hand, this very same dynamism and the permanent mobility of the frontier of capitalist occupation in Brazil provided the system with an enormous buffer to cushion the tensions that existed in a process that was both unequal and excluding.

The degree of the State's presence in this development strategy led to the false idea of a strong or *Prussian-like* State that never existed in Brazil. Actually, the opposite happened: the State was indeed strong every time it confronted popular interests, but was always fragile when it had to stand up to and arbitrate the heterogeneous interests of the pact upon which sustained it until the 1980s, particularly international interests were involved. While external conditions were favorable and every sector was able to succeed by *fleeing forward*, so to speak, a solid and permanent alliance was established between the specific interests of each region and economic group. However, this was an inexorably transient "golden phase" of world capitalism and, as a result, the conditions for our growth began to change drastically as the fractures within the dominant bloc became increasingly visible. The same occurred in other Latin American countries where, piecemeal and slightly out of phase from 1973 onward, the hegemony of postwar developmentalism was being reversed.

The deathblow, however, came with the external shock of higher international interest rates and oil prices, together with the falling prices of commodities and Brazil's exclusion from the international financial market after Mexico's moratorium. These shocks caused a chain reaction affecting exchange rates, inflation, internal debt, economic growth and, ultimately, State bankruptcy. The main cause of the crisis was the interruption of our access to external financing, decisive in an economy such as Brazil's that, since the 1960s, had been highly internationalized and globalized.

Obviously, the most important landmark in the total reversion of this scenario was the launching of the *Plano Real* for monetary stabilization in 1994. But the decisive factor for the success of later stabilization programs was the country's return to the international capital market in 1991, which allowed us to renegotiate our debt and ease controls on the flows of foreign capital. Thus Brazil entered the latter half of the 1990s under the aegis of neoliberal-inspired policies and mode of thinking, whose fundamental tenet was gaining access to another cycle of insertion in the international financial community and achieving accelerated growth.

We are now painfully aware this time around history did not repeat itself. Many differences may be listed to try to explain our present moment and the possibilities that await us in the near future. After one decade, there is a generalized conviction that this latest cycle of economic/financial integration of the cosmopolitan elites seems to have destroyed, practically wholesale, the idea of more autonomous or more national development.

The unfeasibility of the project of our internationalizing elites – known as *dominion* – has led Brazil to an extremely serious impasse. The country's internal contradictions and inconsistencies give us no hope of reaching socially inclusive rates of economic growth, restoring our rulers' ability to govern and, perhaps, the legitimacy they lost in the eyes of all citizens. In truth, Brazil became hostage to the liberal/conservative victory of the late 1970s, subscribing to the central countries' strategy that turned monetary stability into the priority goal of their governments and monetarism and liberalism into the official religion of economic policy. Since the 1990s, these restrictive monetary policies, anchored on overvalued exchange rates, achieved relative success in fighting inflation, but at the same time led to increased interest rates – the *pièce de résistance* of the rentist accumulation of private wealth and also an insurmountable obstacle to its growth. The problem is that these very same permanently high rates not only slowdown economic growth but also progressively unbalance internal public accounts. As interest rates have become systematically higher than the rates of inflation and growth, they became a source of the continuously expanding macroeconomic disruption that imprisons and paralyzes public policies.

Hoping to resolve this impasse, Brazilian authorities decided of late to increase the country's indebtedness, placing their wagers on an abundant supply of external investment. This, however, generated a *snowball effect* that expands deficits and debts and may become an unbearable burden in obtaining the indispensable foreign currencies the country needs to pay its bills. We thus face a situation with excessive liquidity and no solvency because this model, in addition to not promoting growth, bars increases in exports. That explains why interest rate hikes, aside from any deflationary objective they may have, continue to obey the logic of attracting external capital. For a long time now, high interest rates have become the essential piece of the new mode of accumulating private wealth and of the new regime characterized by short, small-growth cycles followed by periodic recessions. On the horizon, one only sees the continuance of this unbalance, and even more so as it becomes clear that high interest rates are followed by increases in the financial debt that causes chronic fiscal insufficiency, regardless of how much revenue or primary surpluses may circumstantially be obtained. In this scenario, the perspective is that deficits will *snowball*, continuously altering the distribution_of wealth to favor financial yields – smothering governments that accept and promote successive and useless budget adjustments, and contributing to the growing ungovernableness of the national State and of their subnational units of power.

Cosmopolitanism and the Nation

In synthesis, as it enters the new millennium, Brazil is not a rudderless country. On the contrary, it follows an increasingly transparent route, governed by an extensive and heterogeneous political alliance that is no longer arbitrated by the military but, as mentioned, by a group of intellectuals and technocrats who are absolutely allergic to the word "nation". Some are liberal, other Marxists, but all of them feel and behave as if they were the high priests of some liberal and cosmopolitan modernity. This is not an entirely new phenomenon. At least since the French Enlightenment and the German Idealism, intellectuals have had a decisive role in guiding or directing the elites and the public opinion of national States. Since then, northern Europe has become the dynamic epicenter of the capitalist system and a center disseminating the model for organizing and operating the modern national State – the main backbone of liberal cosmopolitanism and a frame of reference for defining what is modernity.

Nevertheless, even in those wee hours of intellectual confrontation, Hegel and List argued conclusively that the cosmopolitanism of Enlightened philosophy, with its "natural rights" and the economic policy of "free exchange rates", suited perfectly the interests of the more powerful nations and economies but was incapable of dealing with the conditions and objectives of the more backward European nations. Thus began a rift within the intelligentsia, split between those who mirrored French or English modernity (which became the standard for *high culture* and a clockwork for economic and political life) and those who placed their thoughts at the service of establishing nationalities and organizing States and economies in the European semi-periphery of the capitalist system. Since then, however, an unavoidable fact of reality has set in, namely, the tension that has permanently split this intelligentsia (and, progressively, the rest of the system as a whole) between cosmopolitanism and localism, between urban life and mythicizing rural life, between universalist social and economic concerns and national loyalties.

Likewise in Brazil. At least since the latter half of the 19th century, Brazilian intellectuals have been researching and discussing how to transform our *national identity* in the foundation of a project for economic and social modernization. But it was above all in the 1910s and 20s, when conservative thinking and modernism were given free rein, that our intelligentsia undertook the task of building an *imagi-*

nary community to bolster its projects for *national organization*, or for a democratic/bourgeois revolution, or merely for constituting a nation of citizens. What these intellectuals had in common was their central concern with the country's backwardness and the need to build a nation, defined sometimes in French or American contractual fashion, sometimes from a perspective closer to the German *Kulturnation*. It is a well-known fact that many intellectuals had ties with the 1930 Revolution and the *Estado Novo* [the Vargas dictatorship from 1937 to 1945] and, later, with the program to formulate the only political/economical project in Brazilian history – which, regardless of deviations, strove to be national, democratic and popular, was aborted by the 1964 coup, and became the main *scarecrow* of the new liberals in the 1980s and 90s.

In one way or another, during this entire time, liberal/internationalizing or cosmopolitan thinking remained alive, albeit in a minority status and almost always captive to the most elementary formulas of economic liberalism. Here the great novelty in Brazil's recent history was the convergence of a broad Marxist circle São Paulo intellectuals and the advocates of liberalism that had classically been championed by the state and the oligarchy of São Paulo. Thus arose a new and powerful intellectual and political bloc that intended to further – and has so far been successful – the old project of the São Paulo oligarchy, namely, the liberal *modernization* of Brazilian social and economic life. The convergence in the 1990s of new conditions and international financial interests, together with the successful renegotiation of the country's external debt in the terms of the *Washington Consensus*, together with the existence of a power alliance led by the new intellectual bloc, created unique conditions to put the new cycle of international liquidity to good use. This time, however, unlike what occurred in 1930, the idea was to implement a radical transnationalization of the economy, not the traditional *forward fleeing* of developmentalism.

Six years later, in a state of perplexity, the country suddenly became aware that it no longer had a government, because the government no longer had a project for the country. It once had, and promoted the required reforms and privatization programs, but was then transformed into an surrogate agency for the macroeconomic management of the International Agreement that saved the country from bankruptcy in the terminal crisis of the *Plano Real* and was to define, for many years, the objectives and priorities of the Brazilian nation. Things were actually not much different than before, but after the Agreement all the government work performed by our cosmopolitan intellectuals became a kind of ongoing written or oral report card on macroeconomic self-help. To make things worse, they are thoroughly convinced that the Brazilian people are satisfied with the daily monotonous reporting of the ups and downs of the stock exchange and of the numbers that now herald expectations of a promising future and later describe the irrelevant nanoadvances of economic variables into which their idea of nation was reduced.

It was said at the beginning of this essay that the policies of the US Treasury/International Monetary Fund would not advance if they had not met with domestic receptiveness. And the liberal cosmopolitanism of our intellectuals would not have been feasible if it were not decidedly supported by our local bourgeoisie, engaged only in increasing the value of their assets and in dollarizing their wealth. What these intellectuals failed to understand is that their cosmopolitanism, when practiced in a peripheral country such as Brazil, with an extremely perverse distribution of wealth and income, is actually a crouching cosmopolitanism and can only result in the definitive disintegration of any idea of nation whatsoever – whether of the French, American or German kind. In the eyes of such men, enclosed in their airtight capsules and wrapped up in reports of self-stimulus, everything that contests them will always be synonymous with populism or insurrection, disqualifying *a priori* any and every social conflict and, thus, dissolving the very essence of political life and democracy.

Therefore, it is not without reason that whenever they leave their ivory tower, they are invariably overcome by the same feeling of nausea felt by some Brazilian elites, who upon meeting the common people of the land always had the impression of having met a "God-awful band of savages, with scraggly heads of shoulder-length hair". Savages, and with a "very uncivilized" behavior (Fernando Henrique Cardoso, in *Jornal do Brasil*, April 21, 2000).

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