

CHALLENGES FOR AN EMERGING SOCIAL FORCE

Jacob Gorender

With the celebration of the so-called “500 Years since Discovery”, the issue of Brazil’s national identity came under the spotlight. To the surprise of the promoters of those intended festivities, the reasons for such revelry were, from the very start, contested. Indeed, what had the remaining Indians and the Afro-Brazilians to celebrate? What did the creation of a political entity called Brazil represent for Indians and Blacks but the tragic destruction of their original identity, endless suffering and mass extermination?

The events of April 22 in Porto Seguro had nothing in common with what one might expect from a celebration. The formidable police apparatus deployed to assure the official pageant and the scenes of police constraining Indians and landless peasants in the road leading to the city clearly revealed the antagonism between two outlooks of Brazilian history after discovery.

The patriotic sentiments of the Brazilian people were not at stake. It has been said that we are a nation in the making, a nation still building itself. In spite of it, and of so many negative factors, Brazilians have deep-rooted albeit diffuse patriotic feelings. Nevertheless, the Porto Seguro episode clearly showed the existence of a contradictory and conflictive self-identification.

For this very reason, when commenting on those events, Otavio Frias Filho could refer to the feeble self-esteem, the bad conscience, and a certain world-weariness that would characterize us as Brazilians (cf. *Folha de S.Paulo*, April 27, 2000). If

this is true for the more discerning sectors of the establishment, what might be said of yesterday's and today's oppressed and despoiled?

At the rock bottom of our social consciousness, in layers beneath the patriotic sentiment, the intention of celebrating the country's discovery unleashed the compelling conflicts of a contradictory identity. The enormous debt of the ruling class toward the Indians, the Black, and the landless came to surface. For the latter, and for the great masses of urban wage earners, it is strenuous indeed to feel pride in belonging to such an iniquitous society as Brazil's.

Unquestionably, the display of our contradictory and conflicting national identity caused such a great impact also because of the painful circumstances the country finds itself in today. After the forfeited 1980s, the 1990s also drained away as another *lost decade*. In a scenario of null or mediocre growth, the oft-repeated statement that Brazil's is one of the planet's most inequitable societies emerges as no more than a certificate of conformity. If the ruling class is conformed, to the point of demanding the return of the rings it relinquished in a very recent past, should the dominated classes and segments also comply and resign themselves to weeping and wailing?

We are surely in face of a challenge, to which we must clearly open our eyes.

Brazil, as a nation, is now paying the stiff price for achieving economic development within the strict limits of a conservative modernization. Instead of eliminating structural blemishes, development only intensified them and added new ones. Instead of leading the country to an independent stance in the international scene, our dependence has been exacerbated in today's globalized world.

The current situation brought to light that economic growth does not raise a nation to a tier of power and well-being if unaccompanied by changes in the social structure. Without such changes, growth itself ends up in a blind alley and is dangerously compromised.

For approximately 70 years in the 20th century, Brazil's economy boasted one of the largest-growing GDPs in the world. In the course of those seven decades, a society that saw itself as predominantly agrarian was industrialized and urbanized at an unheard-of pace. In the 1940s, 70% of the population lived in rural areas; today, 80% of Brazilians live in cities and towns.

The swift economic growth was accompanied by an intense effort of technological advancement. Only very belatedly did Brazil join the second technological revolution, which began in the late 19th century in the developed capitalist countries. By the end of the 1970s, however, the Brazilian economy had full command of basic technical processes in electricity, internal combustion engines, and chemicals. Brazilian exports shifted increasingly to manufactured goods, including items with sophisticated technology.

But the narrow and precarious foundations of this growth revealed themselves in the early 1980s. This quavering groundwork manifested itself in three major aspects: two of them endogenous and the third exogenous.

The first endogenous aspect was the fact the Brazil is a textbook example of *development by indebtedness*. Massive foreign loans had to be taken out to complement insufficient domestic savings and uphold the high growth rates. Brazil's growth was founded on a thus termed *tripod framework*, namely, the State, domestic private capital, and foreign private capital. The State was responsible for establishing an infrastructure in transportation, communication and energy, and also the basic raw materials industry. Revenue from domestic sources, obtained through taxation and internal indebtedness, had to be complemented with the subsidy of foreign loans. At the time, there was abundant financial liquidity abroad, thanks to the petrodollars and the eurodollars, so it was not difficult to procure these loans. The aftermath came in 1979, when the American central bank, the FED, tripled the interest rates in order to contain an ongoing inflationary process in the American economy. Unfortunately, the foreign loans had been obtained with variable interest rates, so the Brazilian State was suddenly faced with the obligation of paying three times more interest than expected and thus saw its external debt swell precipitately. To face this problem, and pressured by creditors, it became necessary to reverse the direction of our foreign trade, from deficits to surpluses in the balance of trade. Imported goods required by the domestic chain of production were compressed and the export effort was intensified, so as to obtain the foreign currency required to service the debt. This also led to diminished domestic savings and a lower rate of fixed accumulation of productive capital. Development was jammed.

The second endogenous factor was the recrudescence of inflation. The State, which had been responsible for the larger undertakings and was practically the sole source of long-term financing for private entrepreneurs, resorted heavily to infla-

tionary mechanisms to provide the monetary resources demanded by economic growth. As soon as the inflation inherited from the pre-1964 period was abated around 1973, a new inflationary cycle commenced, reaching 40% per year in 1980 and more than tripling during the tenure of Delfim Netto as finance minister immediately afterward. In 1994, Brazil was on the threshold of hyperinflation.

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The measures that were ushered in during the launching of the new currency, the *real*, managed to abate the inflationary spiral and impose a certain monetary stability. However, this was achieved by means of an economic/financial plan with a strong neoliberal bias that has now clearly shown itself to be a trap.

After being securitized by the so-called Brady Plan, the payment of Brazil's foreign debt lost the character of imminent threat, but the debt's principal and interests became a ponderous annual burden. Monetary authorities must remain constantly alert to prevent the country's commitments from jeopardizing the commercial deficit and other items of the balance of payments. At the same time, a strict anti-inflationary policy imposes budget cuts – which, as might be expected, fall upon already sparse and meager social programs. It is believed that a policy such as this, enhanced by an ever so generous privatization program, is the only course conducive to a sufficiently large inflow of foreign capital to cover the current deficit in the transactions of the balance of payments.

Monetary stability is thus assured and a collapse of the country's external accounts is avoided. But the price to be paid has been structural unemployment of such magnitude as had never been seen in Brazil's economic history, coupled with a virtual smothering of domestic companies, the increased dominion of foreign capital and a swift expansion in the remittance of profits by multinational companies to their head offices. On the horizon, the best one can foresee is mediocre growth for the year 2000, totally insufficient to alleviate the repressed shortfalls of the Brazilian economy and the dearth of its population.

This kind of behavior leaves us at the mercy of international financial capital, while the country becomes entangled in a vicious circle, apparently without an effective exit. The more we pay, the more we owe. The greater the inflow of foreign capital, the greater the outflow of domestic capital. The more stable our currency

appears to be, the greater the risks of instability. The more balanced the budget and the balance of payments, the less favorable the situation for domestic companies – and so much more arduous are the life conditions of the great majority of workers. The most recent statistical surveys reveal the steadfast permanence of an enormous inequality between the upper and lower strata of income. To old problems, new and even more serious ones have been added.

Until the 1970s, the Brazilian economy managed to grow at reasonable rates, based on the above-mentioned tripod. Now, however, after the hyperinflation and the monetarist hangover that ensued, two of the three legs have been shortened, those representing the State and domestic private capital, while the third leg, that of foreign capital, was elongated and continues to elongate. The previous system of investments was subverted, but was not succeeded by a system befitting the new circumstances. Thus, Brazil's economy acquired a characteristic gait – contained, wavering, hobbling.

This has led to a somber predicament that translates itself into strikes by manual and knowledge workers alike – from truck drivers to metallurgists to teachers. Likewise, the actions of landless peasants acquire a more acute urgency. The overall picture entails decidedly pessimistic expectations regarding the political factions in power, and even as to politicians in general, giving rise to popular antidemocratic propensities. We are, without a doubt, facing a challenge that must be stood up to from the point of view of those who are today the deprived and underprivileged.

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As I see it, overcoming these current dilemmas is not a matter of merely accelerating the rate of economic growth. To be sure, we need to grow, and given the gamut of repressed wants, the growth rates must be comparable to those of the years of development in our recent past. But as we may infer from the political crisis that engendered the 1964 military coup, economic growth based on conservative modernization necessarily brings forth new political crises – which may unfold as, or more negatively than in 1964. It is indispensable to bear in mind that we must find solutions for the country's basal problems that comprise our social deficit.

First of all, economic growth must contribute to substantially reduce, and eventually eliminate, the structural unemployment that has ravaged salaried workers. From this perspective, measures must be considered to reduce the workday and bring back to the formal labor force the enormous masses that had to resort to informal work.

Intimately related to structural unemployment, the national agenda also calls for an urgent, effective and profound land reform. Brazil is one of the very few countries with an industrialized economy that never undertook any kind of land reform. Every developed capitalist country implemented more or less radical land reforms. The intensification of the struggle of the landless peasants and small farmers is merely a symptom of the evils caused by the historical belatedness in reforming the land and of the urgency with which solutions must be found. Everything seems to indicate that the policy of quenching fires drop by drop can have no long-lasting effect. We must rid ourselves of “economicist” rationales about the effects upon farm production of distributing land (as the left used to insist in the past) and consider land reform as a predominantly social need. It must obligatory involve the distribution of land, but also the supply of credit, the creation of marketing channels, and agronomic aid to the new small landowners and to small farmers in general.

In addition to reducing the workday, increasing salaries and other measures, the land reform will certainly contribute to relieve the enormous social inequality that has become the country’s international trademark.

With the aim of not only modernizing the economy but also of eliminating the social evils that translate themselves into misery and crime, it is absolutely essential that the State recovers the initiative in every sphere involving economic development and the population’s well-being. The quagmire in which the neoliberal ideals have submerged Brazil’s economy and society is now more than overly evident. We must, at all costs, prevent that companies such as Petrobrás and the Banco do Brasil, which have survived the government’s savage privatization process, be included in this impudent sellout. The State must recover its ability to invest and guide itself by projects of explicitly social benefits in health care, education, housing, welfare, sanitation, and leisure. This implies a radical change in the priorities of the federal budget, a veritable inversion whereby monetary stability is no longer favored as an end in itself and the country’s development becomes the ultimate end, with monetary stability as a means.

Obviously, this point of view does not fit well with the verdict of the obsolescence of the national State. The only national States that have been weakened are those that were already weak long before the current wave of globalization and that have become even weaker after it. In the developed countries, the national State may have lost some of its prerogatives vis-à-vis the increased power of financial capital and multinational corporations, but it assuredly continues to be the fundamental political body in the international sphere: it is a vital organization for economic, political and legal ordering in the world scene. However, a national State can only exert its function as an efficient political entity when society itself generates an internal political disposition that corresponds to aspirations of autonomous existence. When such aspirations lose the ability to affirm themselves, the energies the State requires in today's globalization phase are reduced or annulled.

The national State is also necessary to assure that economic development is compatible with the protection of the Earth's ecosystems and the preservation of a natural environment vital for the survival of the human species. No one should expect ecological imperatives to be spontaneously acknowledged by private interests. The very obligation of conserving the planetary environment points to the need for an active national State. This is all the more evident in the case of Brazil, a country where private interests are exacerbated, as can be seen in the devastation of the Amazon region and in the depredation of what is still left of our natural heritage.

If it is paramount that the leg represented by the State recovers its firmness, the same is also true regarding domestic private initiative. Inasmuch as Brazilian entrepreneurs are still capable of abiding by a progressive project, it becomes evident that foreign capital can only be inserted into this project if it complies with legal regulations, thus assuring that nation is capable to make autonomous decisions about its own economy.

The ability to make autonomous decisions implies endogenous technological might. From this perspective, strengthening public universities is a chief concern, being as they are the foremost centers of scientific and technological research. The goal of turning Brazil into a first-rate science and technology center does not lie beyond the realm of feasible possibilities. The effort to attain this goal will most certainly stimulate the creative energies of the Brazilian *intelligentsia*.

Finally, it is not a matter of isolating oneself in a world that is undergoing a major globalization process, but of independently being able to decide our own

course in the international scenario. A country such as Brazil cannot acquiesce to a marginal or pariah position in the world arena. Without falling prey to the mirages of Brazil as a great power-to-be or to visions of regional hegemony, the fact is that the country lacks a project to hoist it to a condition of prosperity, enabling it to harbor a well-educated and healthy population.

At the heart of the challenges we face lies not merely the definition of the problems, but also the conviction that such problems can only be solved by a bloc of social forces completely different from the one that has dominated and devastated the country for so long. Without the rise of new bloc to power, a bloc representing the country's salaried workers, we will continue to skid and founder. In truth, the equation that presents itself to us today involves motivating a set of social and political forces in urban areas that, in alliance with the forces already mobilized in the countryside, are capable of constituting a new bloc in power. A bloc in which wage earners are not the only ones to be represented but who are its hegemonic champions. To have or not to have an emerging and socially transformative force – this is the core of the challenge the history places before us and on which our future in the 21st century depends.

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