The Political Factor in the Formation of Brazil

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The existence of a national State introduces a political dimension in economic reckoning, rendering it more elusive and more complex. Examples of political criteria prevailing upon economic decision-making can be easily found in the history of every country, particularly during their formative stage and in times of greater crises.

The early emergence of a political system smoothed the way for the transfer of people and wealth between the regions of the vast territory that was to become Brazil. Thus, there can be little doubt that the people who settled in the Amazon region in the latter half of the 19th century would have dispersed during the rubber crisis were it not the reserve of a rapidly expanding domestic market in the 1920s. Importing low-cost rubber would have been the solution dictated by the logic of the marketplace. But avoiding a demographic drain was the chosen political option – one with high economic costs in terms of the time frame in which markets operate.

Likewise, when the automobile industry was installed in Brazil, a region such as the country's northeast, which enjoyed a significant foreign trade surplus, had to forgo the importation of vehicles and was forced instead to purchase the higher-priced domestic product, with a not always comparable quality. This was a political decision and, therefore, outside the rationality of the marketplace – that is, unless one views markets from a *national,* i.e., political, perspective.

It would be naïve to ignore that technical evolution leads to the *planetarization* of economic circuits under the control of transnational corporations. But can anyone not know that undermining national decision-making systems will have unforeseeable consequences for the political ordering of vast regions of the world, and particularly of underdeveloped countries with large territorial extension and profound regional disparities in income, such as Brazil?

Today, one of the distinctive traits of development all over the world is the slow absorption of labor, which translates into chronic unemployment and pressures to reduce the wages of unspecialized workers. What is being called a *service society* is actually a mix of high structural unemployment and a significant portion of the population working precariously or part-time. In the United States, 60% of the jobs created over the last two decades paid less than the historical industry minimum.

A national economic system is nothing more than the prevalence of political criteria over the logic of the marketplace in the attempt to provide collective well-being. The concept of social productivity, introduced in the 1930s by studies of economies in prolonged recession, does not apply to economies whose dynamism is founded on expanding external markets. The concept of social productivity has no logical foundation for transnational corporations. In the absence of such concept, however, the study of underdevelopment loses substance.

If we set aside every reference to a national economic system and to social productivity, the idea itself of economic policy loses its current meaning. We will be back to a market economy in pure state, as conceived by Adam Smith, which excludes the notion of *market power.* However, this system of pure, unabashed competition is even more far-off from our present-day transnationalized structures than the traditional national economic systems.

The high growth rates enjoyed by developed economies during the latter half of the 20th century were, in large measure, an outcome of the increasing openness of their markets – which stimulated competition and enabled the massive concentration of economic power that is at the foundation of transnational corporations. But the decisive factor during this period of extraordinary growth was the advance in techniques for macroeconomic coordination and regulation provided by the so-called Keynesian revolution. Nevertheless, if a trustworthy system of multinational regulation does not emerge, such macroeconomic coordination will be insufficient and will translate into the chronic underemployment of productive resources. On the other hand, as the process of integrating multinational spaces evolves, one must expect that large inter-regional transfers of resources will occur, including more extensive demographic migrations. Cultural factors, however, will surely curb this process of integration, as it will be no surprise if groups of people begin fighting to preserve their cultural roots and the specific values threatened by the homogenization of behavioral patterns that economic rationality imposes.

The swift growth of the Brazilian economy from the 1930s to the 1970s was based in large measure on inter-regional transfers of resources and on the social concentration of income facilitated by the geographic mobility of the population. Had there been institutional barriers to the mobility of the workforce, real wages would have risen much more steeply in regions of rapid industrialization, such as the south of Brazil, while the overall growth of the economy would have been lower and urbanization not as intense.

When, to use an expression favored by post-war theoreticians, the "engine of growth" ceases to be the development of the domestic market, being replaced instead by integration into the international economy, the synergy effects generated by the interdependence among a country's various regions disappear, substantially weakening the bonds of solidarity between these regions. If, for instance, export platforms are installed in the northeast of Brazil, in the manner of the Mexican *maquiladoras*, the region's integration with the world will be asserted through various means, in detriment of its relationships with the rest of the country.

According to the logic of transnational corporations, external relations, whether commercial or financial, are preferably seen as inner-company operations – and, indeed, today roughly half of all international business transactions are operations that occur within these companies. Decisions involving what to import and what to produce locally, where to complete the manufacturing process, which internal and external markets to focus on, are made at the corporate level, inasmuch as transnational companies have their own balance of external payments and obtain financing for themselves wherever suits them best.

In these circumstances, it is no longer possible to resort to the integration of regional economies and to the development of an overall domestic market as engines of growth. Yet, the preferred alternative then becomes to rely on the international market, even if that means caving in to the dynamics of the transnational corporations. Alas, the mode of development these companies impose is characterized by a sluggish creation of jobs, that is, by a swelling structural unemployment. The experience of the countries that comprise the European Union has made abundantly clear that undermining a nation's means of macroeconomic coordination and regulation inevitably translates into a debilitated accumulation of wealth and higher unemployment rate. And it is only natural that such effects are magnified in those countries that have cut short the development of their domestic market in favor of international integration.

In the developed countries that endeavored to integrate their respective economic spaces, regional transfer of resources (conditioned to cultural parameters) reached an estimated several dozen billion dollars. This is what is happening in the Iberian countries after their incorporation into the European Union and, on a smaller scale (and on a shorter time frame) in the provinces that comprised the former East Germany. However, in the case of the European Union in general and Germany in particular, there is a large pool of expatriate labor (Turks and natives from the Maghreb, among others) that can be shrunk to ease the transition. But in the case of an underdeveloped economy, the exhaustion of the synergy effects caused by indiscriminate international integration will necessarily have much graver results on the social sphere. It is easy to understand how the corporate spirit might be exacerbated with the contraction of the labor market, as this will eventually lead to reduce, however covertly, the geographic mobility of labor. If there is solidarity between employers and employees to hinder access to privileged segments of the labor market, the reflections on the political sphere will not take long to appear, entailing the regional compartmentalization of the stakeholders. This is the gestation of regional conflicts whose scope the tragic history of other peoples has made us all too aware of.

In the past, the centrifugal effects of the regionalization of political interests, so strongly manifested everywhere, were contained by the exercise of a regional hegemonic power – gradually replaced by the interdependence of economic interests that emerged with the formation of a national system. To obtain access to a bigger market or to be able to move around the land to seek jobs are factors that provided genuine content to the idea of national unity. However, if the logic of interests is dictated by international connections and if corporate interests organize themselves to restrain the mobility of labor, the bonds of solidarity among regions will necessarily be undermined.

For a long time, the displacement of people in Brazil made for cheaper labor in those areas that absorbed the bulk of industrial investments. Concentration of income was inevitable but, at the same time, both investments and the domestic market grew. In the current stage of attempting to bring to bear the dynamism of international integration, what really matters is promoting the competitive spirit of export-focused activities – pointing to an industrial profile of high capitalization and low employment. In such circumstances, entrepreneurs are most interested in extracting the highest performance from their specialized equipment and, above all, in obtaining discipline and regularity at work, without which transnational integration becomes unfeasible.

The economic order that is being implemented in western Europe is an anticipation of the model that is being offered to us in Brazil as parody, whereby everything is subordinated to the preservation of stable prices – a target that Europe hopes to attain by creating Central Banks in the style of the German *Bundesbank*, formally independent from all public spheres. A characteristic of this kind of financial institution is that it is not allowed to make loans to the government, meaning that issuing money is no longer a safety valve for monetary authorities. This practice raises the question of how to make a government function that does not have the freedom to incur debts and must resort to the international financial market, with all the ensuing limitations upon its control of the currency exchange. Under such circumstances, two basic instruments of macroeconomic regulation cease to be operational: monetary policy and fiscal policy. The system that is being implemented in the European Union is defined by strict parameters: budget deficits must not exceed 3% of GDP, public debt must not exceed 60% of the same GDP, and public deficit must be limited to the value of public investments, whose ceiling is also 3% of GDP. Requirements such as these will certainly limit full access to the European Community to a reduced number of countries, but they make abundantly clear that we are on the threshold of an economic order characterized by small growth rates and by the decline of public initiative in the realm of economic activities. Economic growth is becoming strictly dependent on the initiative of large corporations operating on a transnational plane. Notwithstanding, the European Union is making a financial effort to correct regional imbalances of income, an effort that is beyond the reach of poor countries such as Brazil.

In a country that is still being formed, as Brazil, the predominance of the logic of transnational companies in the ordering of economic activity will almost inevitably lead to inter-regional tensions, to the exacerbation of corporate rivalries and to the creation of pockets of misery – all pointing to the unfeasibility of our country as a national project.

In half a millennium of history, from a constellation of trading posts, of disperse indigenous peoples, of slaves transplanted from another continent, of European and Asian adventurers in search of a better fate, we have become a people of extraordinary cultural polyvalence, a country unparalleled for its territorial vastness and linguistic and religious homogeneity. However, we lack the experience of crucial ordeals, such as those known by other peoples whose survival was once threatened. And we also lack a true awareness of our possibilities and, mainly, of our weaknesses. But we do not ignore that historical time is speeding up and that the counting of this time works against us. It is a matter of knowing if we have a future as a nation that matters in the construction of the human future. Or if the forces that strive to interrupt the historical process of our becoming a nation-State will prevail.

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