

POPULISM AND ECONOMIC POLICY IN BRAZIL

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Journal of Interamerican Studies and World Affairs 33 (2), Summer 1991: 3-21.

Abstract. During the early 1980s, economic crisis was a major factor that led to the end of the authoritarian regime. Now, in the early 1990s, as such crisis remains without solution, while economic populism gains new life in the new democratic regime, this same economic crisis is threatening democracy. Opportunists' economic populism, moderate left's protectionism, and the right's monetarist orthodoxy are together major obstacles to consistent and rational economic policies. Opportunists and the old left lead the country to fiscal crisis, balance of payment problems and inflation, while the right promotes incompetent macroeconomic policies, recurrent recession, and concentration of income. Brazil needs pragmatic and consistent economic policies deriving from an independent assessment of the country's economic problems.

Political or ideological obstacles have proved of paramount importance in Brazil's ability to adopt sound, consistent economic policies – the kind of policies the country needs if it is to overcome the economic crisis and consolidate modern capitalism and democracy. Brazil's recent democratization was based on solid economic and social reality, representing the victory of civil society rather than a gift from the military regime. Nevertheless, it failed to tackle some of the basic ideologies and political practices which are typical of middle-income, industrialized, yet underdeveloped countries like Brazil: such as economic populism, developmentalism, anachronistic nationalist beliefs, political clientelism, unrealistic

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worker demands, conservatism, the orthodoxy of neoliberalism monetarism, and the inability of short-sighted business elites to define the national interest. The combination of these beliefs and political practices create serious impediments to development, and acquisition, of those sound, progressive policies that are needed if Brazil is to resume economic growth and achieve price stability.

What we have seen in Brazil, since the transition to democracy was completed in early 1985, was the alternation of developmentalist, populist and orthodox economic policies. The consequence was economic stagnation, high rates of inflation and continued income concentration. In the first six months of the Sarney government we had a conservative economic policy; it did not work. Then, an intended progressist economic policy, the Cruzado Plan, revealed afterwards to be populist and led the country, in the first semester of 1987, to an acute financial and economic crisis. I assumed the Finance Ministry in the middle of this crisis and initiated an emergency plan to control inflation. This emergency plan should be followed by a definitive stabilization plan in the beginning of 1988 - a plan which would combine heterodox (a new freeze and a quasi-unilateral foreign debt reduction) with orthodox (fiscal and monetary) policies. The lack of support for fiscal adjustment led me to resign in December 1987. During the next two years a mistaken orthodox monetary policy oriented to very high interest rates, the continuous inability to control the budget deficit and a new freeze led the Brazilian economy to deepen the fiscal crisis, provoked a confidence crisis and finally hyperinflation in February 1990. The Collor Plan, in March 1990, was again an emergency heterodox plan, followed, two months later, when inertial inflation was back, by the adoption of orthodox fiscal and monetary policies. These policies were still in force when this paper was reviewed, in September 1990. It combined two positive outcomes - a budget surplus and the firm determination of government to refuse economic populism - with three negative ones: a 12 per cent monthly rate of inflation that did not show tendency to be reduced, an overvalued cruzeiro and a deep recession. In consequence a new social pact - that is, a new heterodox policy - was being considered by government.

During the early 1980s, economic crisis was a major factor that led to the end of the authoritarian regime. Now, stubbornly resisting solution, this same economic

crisis is threatening the new democratic regime. Recession and high inflation will always be destabilizing factors for a political regime, be it authoritarian or democratic. In the early 1990s, when most Latin America political regimes are democratic, it is democracy that is being jeopardized by economic crisis.

Although economic crisis is the problem, this discussion will focus upon the political problems that underlie, and impede resolution of, this crisis. It is common to hear that the Brazil's present economic crisis has political origins and should be solved in the political arena. Actually the economic and the political crises existing today in Brazil are autonomous although interacting, mutually influencing each other. The economic crisis is older; its origins are to be found in the end of the 1970s. The political crisis, in its present form, is a phenomenon of the second part of the 1980s; it was defined by the inability of the Sarney government and, more broadly, of the Brazilian elite to face the challenge of establishing in Brazil political practices and ideologies consistent with a modern and democratic capitalism.

Though the election of Fernando Collor produced a wave of renewed hope, thus far there is no assurance that the new government will be able to overcome the economic crisis. The political will to solve the problems exist in the new government, but to say that economic problems have political origins or that their solutions depend just on political will is to reduce economic policy to a all powerful social engineering device. The original name of our discipline - political economy - underlined the political and social character of the economic process. This, however, does not justify the transformation of real economic problems into political problems, nor justifies the belief that the economic crisis that Brazil faces today will be overcome provided the political obstacles find an adequate solution. Besides that it is necessary to have a correct diagnosis of the crisis and to adopt the correct economic policies for that crisis. Political practices and ideologies contrary to rational policy-making do exist, and will be analyzed in the discussion to follow, though it must be kept clearly in mind that these do not represent the *only* causes of Brazil's economic problems.

1. Economic Crisis and Democracy

Today, both capitalism and democracy have basically been consolidated in Brazil. There is no doubt about the dominance of a modern, industrial, capitalist mode of production, or about the political and ideological hegemony of the business class in Brazil. But there are a lot of doubts today – that never existed before – about the prospects of economic growth – in Brazil. In other words, capitalism is assured in Brazil, not self-sustained growth. I believed that once a country completed its industrial and capitalist revolution, self-sustained growth would prevail almost necessarily due to the imperative exigency of accumulation of capital and incorporation of technological progress. Today I am not anymore so sure. After ten years of stagnation of per capita income in Brazil, while inflation reaches incredibly high levels, it is necessary to admit that the continuity of economic development in Brazil depends on the adoption of a number of short (adjustment) and long run (reform) economic policies that involve decision and initiative.

On the other hand, democracy in Brazil is more solid, is more entrenched in the economic and social system than is usually thought. The reasons behind this proposition could be summarized in this way: (1) modern industrial capitalism is able to appropriate economic surplus through the market, dispensing the use of direct force necessary in pre-capitalist and mercantilist societies; (2) the bourgeoisie or business class does not feel threatened by the left; (3) the revolutionary left is in crisis all over the world and particularly in Latin America, and so it does not have a revolutionary project that would threat the hegemony of the bourgeoisie; (4) the same can be said of the military and, more broadly, of the authoritarians: they do not have an alternative project for Brazil, they are as perplex with the economic and political crisis as the bourgeoisie; (5) the United States does not includes anymore *coups d'État*, the overthrow of governments, as a part of their strategy to consolidate capitalism in Latin America.

However, it is not possible to say that democracy is consolidated. Guillermo O'Donnell (1988: 85) underlined that, if a military *coup* is not likely, the "slow

death" of democracy - that is, a process of continuous loss of effectiveness and credibility of the political institutions due to the government failure in facing the economic and social problems - is another possibility.

The failure of government to address these problems directly cannot be attributed exclusively to country-specific limitations nor to the sheer size of the economic obstacles. These real economic obstacles exist. It is not by chance that Latin America has been stagnant for ten years, since the foreign debt crisis broke out. But government failure to lead Brazil out of the crisis is also clearly related to the political practices and ideologies that are not conducive to the adoption of the bold, coherent and firm economic policies.

What are some of these political beliefs and practices? They will be discussed in greater detail below, classified according to political category as follows: as part of (1) the opportunistic Right, (2) in the moderate Left, or (3) in the ideological Right.

2. The Opportunistic Right

It is important to distinguish the opportunistic Right from the Ideological Right. There are opportunists either in the right or in the left. They are dominantly part of the right only because capitalism is dominant in Brazil. An opportunist is by definition a politician without firm ideological convictions. In a capitalist country, even if the political opportunist pretends to be part of the left or of the center-left, he will, at last, be a conservative, because he will make all the possible and imaginable concessions to the ruling class.

Let us see the main political practices of the opportunists. They are practices that directly influence economic policy:

1. Economic Populism.

Economic populism is a basic political disease in Brazil. Because "populism" has several meanings, the adjective "economic" is appended in order to distinguish it from other connotations. For political scientists, "populism" carries a different meaning in Latin America, where it is usually tied to the "populist pacts" which

preceded import-substitution industrialization. It is based on some kind of alliance between industrialists, workers and the new, technobureaucratic, middle class.¹ Economic populism is a more general kind of political practice related to naïve distributivism and fiscal laxity.

The first economist to write on economic populism was probably Adolfo Canitrot (1975). Guillermo O'Donnell, although a political scientist, wrote also an admirable piece on the subject (1977). Carlos Dias Alejandro (1981) wrote very precisely about economic populism in connection with the "populist cycle". Usually populist policies precede the economic crisis that gives rise to orthodox stabilization policies in the Southern Cone countries.

There are two types of economic populism: (1) populism of Left, often characterized by redistribution of wages or unwise redistribution of income and with what I term the "refusal-to-adjust attitude"; and (2) populism of Right, a phenomenon that is very close to developmentalism. It is a kind of fiscal laxity, defined by a tendency to acquiesce to most demands from both workers and businessmen. This course is invariably embraced by opportunistic and/or clientelistic politicians.

Populist economic policies lead, directly or indirectly, to increases in the public deficit and to an imbalance in the current accounts (balance of payments). Some of the more common populist practices include: increased wages and salaries for public sector workers and officials; increased private sector purchases; increased subsidies (of consumption as well as other private sector incentives, like tax breaks); artificial valuation of the local currency; and increases in subsidized credit offered by the official banks. These concessions offer something to everyone: public officials, businessmen, workers.

The result of these practices is the "populist cycle". It begins with the government's adoption of a combination of the following policies: (1) evaluation of the exchange rate leading directly to higher imports, and indirectly to higher wages

¹ On populist literature see Weffort (1965, 1980), Di Tella (1966), Ianni (1968), Bresser-Pereira (1968), Erickson (1975), Touraine (1988).

and consumption, (2) direct increase of the public sector salaries, (3) increase in public expenditures (which leads to budget deficit), (4) artificially low internal interest rates, and (5) artificially low prices and tariffs of state owned enterprises. As a result, we have, in a first phase, high rates of consumption and investment, acceleration in the rate of growth and declining rates of inflation due to exchange evaluation and the slow down of public prices.

It is a short lived paradise, however. Soon the distortions provoked by these practices appear. The disequilibrium in the balance of payments arises as exports become unprofitable and decline, whereas imports increase. As the budget deficit tends to change into a fiscal crisis, and a real devaluation of the local currency press up internal prices, inflation accelerates again, often in a dramatic way. The cycle ends in a radical change in economic policy, often preceded by a severe crisis and the change of ministers, otherwise a *coup d'état*.

The expansionist policies of 1979-80 (probably the worst mistake in the history of economic policy in Brazil) and of the Cruzado Plan (an excellent plan and a lost opportunity due to incompetent management) are typical recent examples of the populist policies in Brazil. The first experience was conducted by conservative economists under the military regime, the second, under progressive economists soon after the democratic transition.

2. Clientelism

This is a political practice in the middle of the road between populism and sheer corruption. Populism, clientelism and corruption imply the use of public funds: in the case of populism, public funds are used in an impersonal form, to assure the good will of the groups or communities that are benefited by the public expenditure; in the case of corruption public funds are appropriated by an individual, they are used in a very personal and direct form; in the case of clientelism, we have an intermediary form in the use of public funds, that benefits directly potential voters and indirectly the politician involved in clientelistic practices. The Brazilian term for this practice is *fisiologismo*.

The "fisiológico" politician is an opportunist by definition. He is a person who transforms politics in a business like any other - a business where he uses his political power to make and receive favours. He is "physiological" because he puts his own personal and/or material interests first – above those ideas or principles, political and moral, which he has pledged to serve and which normally govern political action.

These two opportunist political practices are deeply embedded in the Brazilian political system. They are a consequence of the low level of citizenship existing in the country. Lack of information, poor political education, mistrust in relation to "popular" candidates are typical characteristics of the Brazilian average voter. Thus, in the words of Wanderley Reis,

"given the characteristics of the Brazilian electorate, it is not realistic to expect that the stabilization of the democratic game take place around parties defined in ideological terms; it is more likely that the process of formation of the political parties will continue to be based on traditional clientelism with an electoral appeal of populist tonalities" (1988: 24).

3. The Moderate Left

Different but, finally, conducing to similar results, are the ideologies and political practices of the left. Although I feel myself personally identified with this group, I am convinced for long that it is essential to criticize the anachronism of some ideas of the left. In the 1950s I was engaged in the fight for industrialization through import substitutions and state intervention. This was the correct strategy for Brazil at that time, but already in early 1960s I pointed out new historical facts that required a new interpretation of Brazil and a new strategy of economic growth (see Bresser-Pereira, 1968, chap.5, and 1984).

The moderate left criticized severely the orthodox economic policies of the authoritarian regime. Sometimes they did that correctly, but in other occasions they were just repeating old fashioned slogans, today linked do developmentalism and economic populism, that could have made sense in the 1950s, but do not anymore in the 1980s. Let us review some of these ideas:

3. Old-fashioned nationalism

In the 1940s and 1950s the left developed the thesis that "imperialism" or foreign interests, including the multinational enterprises, were allied to local agro-mercantile capital to prevent industrialization. The large investments of the multinationals in the manufacturing industry since mid 1950s proved that, if their thesis was correct in the past, stopped to be true since then (see Bresser-Pereira, 1968, Chap.5; Cardoso and Faletto, 1969). But even today we have nationalists thinking in terms of the 1950s. These anachronic nationalists fail to understand that to be nationalist today in Brazil, or rather to defend the national interest, is to fight the irrational attempt of part of the Brazilian elite of fully paying the foreign debt, is to strive for the development of autonomous scientific and technological progress within the country, is, in other words, to have a clear notion of what is national interest in each case, rather than to oppose the multinationals which have an effective contribution to economic growth.

4. Internal market orientation

In the mid 1960s, the authoritarian regime then in power opted for an export-led strategy of development. This strategy proved beneficial to the country, though, in the short term, it produced the perverse effect of making sustained rates of internal demand compatible with concentration of income. From the beginning, the moderate Left opposed this strategy, failing to acknowledge that (1) not only had this growth model exhausted its virtues in the early 1960s, but (2) the alternative growth model – which was based on highly capital-intensive, import-substitution projects – was even more disposed to concentrate income over the long run than one based on the export of labor-intensive manufactured goods.

During the 1970s the Left used to criticize Korea and Taiwan as mere “export platforms” for the multinationals, while Roberto Campos, one of the leading intellectuals of the Brazilian ideological right, used to say that these countries served as examples of liberal societies. Today we know that both were wrong. The extraordinary development of these countries was based in an export-led strategy where the state played a decisive and the multinationals a minor role. Korea and Taiwan were neither platforms of exportations nor liberal economies. Additionally their strategy of development proved consistent with a much more even income distribution than the existing in Brazil. The agrarian reform that was undertaken in these countries just after World War II was a cause for this better income distribution; the other was the export-led growth strategy, which was necessarily based on labour intensive industries.

5. Refusal-to- adjust attitude

This resistance to adjustment – here called “refusal-to-adjust attitude” – emerged as a consequence of an entrenched commitment to "developmentalism" (in this case also a form of economic populism) which characterized Latin American economists on the Left, myself included, in the 1950s². We severely criticized the adjustment of the 1960s. The fact that stabilization programs were usually based on the reduction of wages rather than in fiscal adjustment was indeed a good reason for criticism. But the left based its disagreement almost only on a "no-to-recession" slogan, and doing this, it ran into economic populism. Its only economic argument was a spurious adoption of Keynes ideas favoring budget deficits and a demand led development strategy.

In 1979, when adjustment was absolutely necessary, the irresponsible developmentalist and populist economic policy adopted by the rightist military regime was, not surprisingly, supported by economists of the structuralist moderate left. When finally adjustment began in 1981, the basic idea of the left was that the adjustment was not necessary. Actually there was no other alternative but to adjust. In that moment it was just impossible - besides not desirable - to maintain the large trade and current account deficits. The only innovative and serious criticism to the orthodox adjustment policies originated in the moderate left came from the economists that developed the theory of inertial inflation.³

² Developmentalism and economic populism were later also an attitude and a practice adopted by the right, as the economic policies followed by the military regime between 1964 and 1984 - particularly the II National Plan of Development (1974), as an example of developmentalism, and the 1979-1980 attempt do produce a new economic miracle instead of adjusting, as an example of economic populism - demonstrate.

³ For a review of the theory of inertial inflation see Bresser-Pereira (1987).

6. Redistribution through Wages

This is the typical type of economic populism everywhere. Income concentration is recognizably a major problem in Brazil. We have one of the most uneven and unjust patterns of income distribution in the world, but this fact does not legitimate unrealistic wage distributivism. A progressive economic policy in Brazil will necessarily have as a major objective the achievement of a less uneven income distribution, but it will have to be very careful about increasing real wage above productivity levels.

Whenever this is tried, profits are threatened and acceleration of the inflation rate is unavoidable. Actually wage policy should be limited to three objectives: to protect real wages from inflation, to assure that productivity increases are transferred to the workers, and to reduce wage and salary differences through the gradual increase of the minimum wage. There is no doubt that it is possible to increase wages more than the productivity without affecting profits of productive sectors, if the price is paid by rentiers or if an increase in state efficiency allows for tax reduction. These alternative methods, however, are difficult to be accomplished. More efficient forms of distribute income between salaries and profits than the increase of salaries above productivity include a labor-intensive industrial policy oriented to the production of wage goods, an agrarian reform, progressive tax reforms and the orientation of public expenditures to the poor.

These ideas, however, are not usually accepted among the populist left. A slogan is often used: "wage increases are not a cause of inflation". For a long length of time, during the authoritarian regime, this phrase corresponded to reality, since real wages either increased less than productivity or were reduced in absolute terms. Nevertheless, a different picture began to emerge at the end of the 1970s. And after the defeat of the authoritarian regime, in 1984, unrealistic demands of the workers increased sharply. The salaried middle class employed in the public sector was particularly active in this area. The deepening distributive conflict increased the

budget deficit and prompted the acceleration of inflation. Yet, given this last fact, real wage gains tended to be short lived; soon the increased inflation eliminated real gains; the only lasting result was a higher rate of inflation.

In conclusion, some ideas and political practices of the moderate left - old fashioned nationalism, internal market orientation, the refusal to the adjust attitude and wage distributivism - are not consistent with rational, coherent economic policies, as are not the political practices of the opportunistic right. They are forms economic populism assumes in Brazil and represent an obstacle to stabilization and growth.

4. The Ideological Right

The ideological Right is also a major origin of irrational economic policy. In this category are included the neoclassical or monetarist economists, who adopt a militant theoretical view against practically every kind of state intervention in economy and support pure orthodox economic policies to stabilize the Brazilian economy. The bulk of the business elite in Brazil should also be included in this category. Their leaders are not opportunists, but ideologically conservative. And conservatism in developing countries - besides putting order above social justice, besides resisting to change, typical characteristics of conservatives everywhere - means ideological subordination to the dominant value and belief system existing in the central countries.

The ideological Right is truly convinced that its views on economic policy are intrinsically rational. The logics of capitalism and their own logics would be both pure rationality - a rationality that they confront with the irrationality of the populist left and of the opportunistic politicians. Given their control over the means of communication, they are usually able to pass along these ideas to the people, so reinforcing their ideological hegemony.

Actually, their ideas are very far from being pure rationality, and also represent a major obstacle to the adoption of a consistent economic policy in Brazil, especially in a moment when bold, far reaching economic decisions must be taken. Let us see these ideologies and political practices of the ideological right:

7. Social Conservatism

Social conservatism is an obvious problem in a country where income concentration is amazingly high. The tax burden is relatively low and the tributary system is very regressive in Brazil. Thus, a progressive tax reform is an obvious tool for reducing the public deficit and improving income distribution. The ideological right opposes systematically tax reforms that increase the tax burden or make it more progressive. Among the arguments used is the non-recognition of the low tax burden prevailing in Brazil and a sincere concern for the lack of incentives to savings and investments. On the other hand, tax renunciation and tax incentives to business enterprises are a major source of budget deficits in Brazil, as they reduce the effective tax burden. Most of them lost their *raison d'être* long ago. The ideological right tends, however, to ignore the problem and fight for lower taxes.

The ideological right is formally concerned with income concentration in Brazil, but does nothing to solve the problem; it knows that a social pact, that would be essential to control wages and curb inflation, cannot be implemented without concessions to the workers in terms of social reforms, but as a rule they tend to oppose social reforms. They act in this way not only in function of their class interests but also based on the firm conviction that order has priority over justice. Order must never be endangered in the name of social justice.

8. Monetarism

Monetarism began as a conservative counter-action to Keynesianism, which appears in its original form in the Friedman's version and develops through the theory of rational expectations of the "new classics" (Sargent, Lucas); it is based on a basic contradiction: it is a macroeconomic theory necessarily oriented to economic policy, and however professes a radical abstinence of state intervention. This abstinence is actually not put in practice. The economic policies that monetarism

recommends in order to achieve stabilization tend to be very active and aggressive. On the other hand, when and if the stabilization is reached, it is always so precarious that demands a continuous state intervention to try to maintain it.

At the present time, monetarism is the economic religion of the developed capitalist countries. Due to the ideological subjection to the centre of elites in the peripheral countries it is adopted almost without restrictions by the ideological right in a peripheral country like Brazil. Two examples: inflation in Brazil has structural origins and an inertial character, but they believe that it can be controlled just by the adoption of monetary and fiscal policies.⁴ Economic unbalances in an underdeveloped economy like the Brazilian are very deep, but based on monetarism, the ideological right believes the market forces will be able to solve all problems.

The successive failures of this approach to solve the economic crisis in Argentina, Brazil and Chile led monetarism to a certain degree of discredit in the early 1980s, but after the failure of the heterodox Austral and Cruzado plans, monetarism recuperated part of its prestige. Suddenly, as a result of a very interesting ideological maneuver of the ideological right, conventional stabilization policies, based on fiscal and monetary policies - policies over which there is a relative consensus among good economists - were equated to "orthodox" monetarism and opposed to Keynesian and to structuralist "heterodoxy". Whereas in the central countries the theory of inertial inflation was being coopted⁵, and an increasing number of economists would admit the advantage of combining conventional or "orthodox" (fiscal and monetary) with "heterodox" (incomes policy) policies, the monetarist neoliberal right in Brazil would insist in shunning off incomes policies.

Actually, the specifically monetarist economic policies are often inadequate or squarely irrational. The ideological and dogmatic condemnation of state intervention, including macroeconomic regulation and incomes policy, obviously makes a monetarist economic policy unable to face the real problems of Brazilian economy. On the other hand, there is a basic tendency in monetarism of not taking

⁴ The 1989 Summer Plan was a typical attempt to control inflation in Brazil by the adoption of a very orthodox monetary policy. The high interest rates then adopted were a major cause of the subsequent hyperinflation. In 1990 the second phase of the Collor Plan, starting in May, was again the result of a mistaken orthodox economic policy.

⁵ The last edition of Samuelson's and Nordhaus's classic introductory text book on economics has a full session on inertial inflation.

into account the specific characteristics of the Brazilian economy. Inertial inflation may be a universal phenomenon, but the degree of formal and informal indexation existing in Brazil makes it a very specific Brazilian problem - a problem that requires particularly tailored solutions.

9. Crude Neoliberalism

It is the complement of monetarism. The ideological right knows or should know that the state played a major role in the Brazilian industrialization, but insists in ignoring it. In the 1980s, after engaging in heavy foreign indebtedness, the Brazilian state was bankrupted, victim of a severe fiscal crisis (see Werneck; 1987, Bresser-Pereira, 1987, 1989), that immobilized the state for long term policy, whereas the economy was plagued by high rates of inflation and finally by hyperinflation in early 1990. For crude neoliberalism this is an indication that the state should have no role in the economy, that the answer is to achieve the "minimum state", whereas the sensible alternative is indeed to reduce the role of the state, is to solve the fiscal crisis, not to expel the state from the economy, but to enable it to assume new roles in promoting welfare and technological progress.

The country undergoes today the worst crisis in its economic history. Income per capita has been stagnant since 1980. The major cause of this situation is the fiscal crisis of the state. Very strong measures are needed to solve this structural financial unbalance of the public sector that turned the savings of the public sector into negative savings, reducing dramatically its investment capacity. The ideological right, however, minimizes the problem, speaking of budget deficit and proposing to fire some public officials and privatization, when we face a major fiscal crisis that demands structural reforms including the reform of the public sector, a progressive tax reform, the liberalization of foreign trade, and a drastic reduction of the foreign debt.

10. Subordinated internationalism

A greater internalization of the Brazilian economy is a natural aspiration of the local business elite. Actually what it wants is Brazil to be part of the First World.

This integration will make Brazilian capitalism economically and ideologically less vulnerable. I will not argue about these objectives. I believe they are quite consistent. If there is - as I believe it does - a clear economic and ideological hegemony of the bourgeoisie, if capitalism is well established in Brazil, this desire of a greater integration with the developed world is quite natural.

The problem is to know how to reach that integration. Brazilian conservatives often believe that this may be achieved by being "international". The internationalism of the right, however, takes very often the form of an uncritical subordination to the interests of the developed countries. This attitude, that I propose to call "subordinated internationalism", is a phenomenon of everyday life in Brazil. It is a consequence of the economic and cultural domination that the central developed world exerts over its periphery. But in the case of the ideological right, this subordination takes a militant character, as inconsistent with the national interests as the old nationalism of the left.

The more dramatic example of this subordinated internationalism is the view adopted by the ideological right in relation to the foreign debt. The external debt is the single major cause of stagnation and high rates of inflation in Brazil since early 1980s. The foreign debt (1) reduced the saving capacity of the country as it led to huge real resource transfers, (2) increased the budget deficit given the fact that more than 80 per cent of it is public, (3) accelerated inflation as it led higher budget deficits and to real devaluations of the local currency. The Brazilian external debt is clearly too high and cannot be paid. A reduction of the debt is a necessary condition for overcoming stagnation and inflation in Brazil. The alternative would be an enormous reduction of internal consumption that is neither feasible nor desirable. The ideological right, however, does not acknowledge these facts. Given its natural desire to make Brazil a part of the First World - a desire that is actually shared by almost everybody in Brazil - the right or more generally the business elite tends to reject the adoption of firm positions in relation to the banks. It wrongly mixes the interest of the banks with the interest of the creditor countries and fears that the

unilateral measures that Brazil must take in order to negotiate a reduction in its external debt will endanger its desired acceptance by the First World. What they do not understand is that this integration will not materialize unless price stability and growth are achieved, and that both these objectives are inconsistent with the attempt to pay fully the debt.⁶

5. Conclusion

Conservatives in Latin American are today presenting Chile as an example of sound and successful economic policy. They have as arguments the very low levels of inflation and the positive growth rates since 1984. They do not mention that income per capita in Chile in the end of 1988 was still below the 1980 level, that wages in 1987 were 6 per cent below the 1980 level (Piedra, 1988), they do not say that income concentration and poverty increased, they ignore that exports remained stagnant in real terms from 1982 to 1987, that the rate of investment only recently reached 20 per cent, they forget that the Chilean economy has been thoroughly denationalized as the local assets are being swapped by the external debt in unfavorable terms. In the words of Rodrigues, "in the last 15 years there was no economic progress in Chile; instead the dictatorial regime promoted a savage redistribution of GDP" (1988: 3). Since the beginning of the authoritarian regime per capita wheat consumption fell by 8.3%, that 5% per cent, meat's, 15 per cent, sugar's, 8.3 per cent, rice's, 14 per cent.

The mixed (positive and negative) results achieved by the Chilean economy were the product of orthodox policies and an authoritarian regime. John Sheahan says that the distinctive economic policies of the authoritarian regimes in Latin America are reduced price controls, lower protection, serious efforts to limit budget deficits, strict wage controls and highly favorable conditions for foreign investors (1986: 161). Sheahan is mixing discourse with effective action. Actually authoritarian regimes in Latin America do not adopt necessarily orthodox or neoliberal economic policies. Their rhetoric is invariably against state intervention

⁶ On the attitude of the Brazilian elites in relation to the foreign debt see Bresser-Pereira, 1988.

and protectionism. They always stand for fiscal austerity, although they hardly do what they preach. The excessive external indebtedness and the corresponding public deficits of the 1970s were the responsibility of authoritarian regimes in Brazil, Argentina, Chile and Peru. Sheahan is, however, correct when he worries about the survival of non-authoritarian governments in Latin America due to populist policies that were intensified since redemocratization: irresponsible increases in the wage rate above the growth of per capita income, rise of public expenditures, and excessive protectionism.

Summing up, populist, developmentalist and orthodox political practices and ideologies are together major obstacles to consistent and rational economic policies in Brazil, and, more broadly, in Latin America. The first ones lead to fiscal crisis, balance of payment problems and inflation, while the latter lead to incompetent macroeconomic management, recurrent recession and concentration of income.

The economic policies that are required in Brazil are not from the left or the right. These distinctions are of minor signification, given the seriousness of the present economic crisis. Populism, developmentalism and neoliberal orthodoxy are nowadays in the basis of the fiscal crisis of the state, of the foreign debt crisis, of inflation, of the reduction of the rates of savings and investment. These problems are of such dimension today in Brazil that it is not enough to criticize the nationalism, the protectionism, the refusal to adjust attitude and the distributivism of the left, the populism and the clientelism of the opportunists, the social conservatism, the monetarism, the crude liberalism and the subordinated internationalism of the right. In order to adopt consistent, rational and pragmatic economic policies (which, in certain moments will seem orthodox, in others, heterodox), public men and women will need qualities like political courage, technical competence and vision. Only in this way it will be possible to adopt the policies - unpopular or unpleasant they may eventually be - that will overcome the fiscal crisis and permit Brazil to resume growth with price stability.

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