Report from Rio by Lorenzo Carrasco

ProDem versus Brazilian industry

Brazil's new "industrial" policy is a direct assault on the sovereignty of the dirigist state.

'In Brazil, the state has become an obstacle to the country's development." With these words, addressed May 27 to the most important business circles of São Paulo, Finance Minister Maílson da Nóbrega summed up the spirit of the economic policy adopted by the government of José Sarney.

Following the "free enterprise" guidelines issued by the Project Democracy secret government from Washington, to expose South America's economies to a new phase of looting, Minister da Nóbrega and President Sarney himself are committed to imposing measures to completely deregulate the Brazilian economy, including the "internationalization of the Brazilian capital market." This will open the door to direct participation by international speculative capital in the Brazilian stock exchanges, and will make it easy for foreign exchange to flood out of the country.

In his document, "Modernization and Adjustment," da Nóbrega is even more precise in identifying the "dirigist state" (which happens to be responsible for Brazil's industrial stature) as the target of his new "industrial" policy: "Today, above all, the growth model based on state intervention in the economy shows clear signs of exhaustion. It is necessary . . . to reduce controls over foreign trade, and to impose a tariff system coherent with the goals of modernization. . . . In short, to abolish an out-of-date dirigism incompatible with the longings for freedom and development."

President Sarney pompously chimed in with attacks on the vanguard role of the state in developing the economy: "Experience shows that the excessive controls and monopolism of the state do not yield healthy fruit, and belong to an era whose time has come and gone. . . . The Brazilian state, today, has no resources of any kind to invest. . . . Therefore, no one any longer expects the savior state, the messiah state, to resolve all."

Leaving no doubt that the Brazilian government has given itself over, lock, stock, and barrel, to the bankers' boys in Project Democracy, President Sarney greeted visiting French "economist" Guy Sorman with the salutation: "The liberal wave has arrived in Brazil." Sorman, one of the agents of the National Endowment for Democracy (NED), the "legitimate" front for the dirty tricks operation Oliver North dubbed Project Democracy, visited Brazil on invitation of the NED-linked Liberal Institute, to hawk his book, *The New Wealth of Nations*.

Not to be outdone, Amaury Temporal, businessman and president of the Confederation of Brazilian Trade Associations, celebrated the announcement of da Nóbrega's new "industrial" policy as a "Brazilian perestroika." Amaury Temporal was exposed by *EIR* for organizing a lobby to impose Project Democracy's policies on the newly drafted Brazilian Constitution.

What the Sarney government hopes to accomplish is to open up imports as a means of reducing inflation, currently running at 20% a month, or 600% a year. With domestic consumption drastically reduced by the government's wage-gouging policies, combined with high internal interest rates, the flooding of the Brazilian marketplace with foreign goods will have the same effect as in Argentina. There, former Finance Minister Martínez de Hoz reduced the customs tariffs, and drove major sectors of Argentine national industry into bankruptcy, while sinking the survivors into technological backwardness.

Worse still is that, with Brazil, Ibero-America would lose its only advanced capital goods sector, which is indispensable for continental economic integration. Thus, the dismantling of Brazilian industry is a priority of Project Democracy.

Aside from the political implications of these economic measures, they certainly will *not* lower the real inflation rate, just as they did not in Argentina. Rather, the Sarney government's current monetary policy will shoot inflation up beyond 1,000% a year. The International Monetary Fund has ordered the Brazilian central bank to promote a policy of high interest rates, allegedly to cut monetary issuance by half. In early May, the central bank auctioned off National Treasury Bonds (OTNs), offering an interest rate of 13% above the current 600% inflation rate! This will represent additional costs of $400 million, which will increase still further the level of indebtedness, currently calculated at more than $100 billion, or 30% of gross national product.

These new measures—contrary to stated intentions—will produce an increase in the public deficit due to a loss of tax revenue, which will result from unemployment and spreading industrial bankruptcies. If this model persists, the Brazilian state, the protector of financial speculation, will be bankrupted.