'Summer Plan' for denationalization

Creditor banks are making record profits from Brazil's debt service, as 60,000 more workers are laid off.

The new austerity program just imposed on the Brazilian economy marks a terrible new phase in the looting of that country's natural and human resources. While the government of President José Sarney is carrying out a slash-and-burn policy toward the state-run sector, including massive layoffs, the international creditor banks are crowing about the profits which Brazilian debt service payments have enabled them to record in the last quarter of 1988.

On Jan. 15, President Sarney went on national Brazilian television to announce a series of measures which only differs from the Argentine "Spring Plan" by the season in which they were decreed. In his address, he insinuated for the first time the possibility of privatizing such strategic state companies as Petrobrás and Vale do Rio Doce, under the rubric of "democratizing the capital of these companies."

The announced measures of Sarney's new "Summer Plan" (it is now summer south of the Equator) include: a supposedly indefinite freeze on prices, a real wage freeze, maintaining "real" interest rates, the gradual layoff—beginning in February—of 60,000 public employees, elimination of half a dozen ministries, and a monetary reform to create a "new cruzado."

The first estimates prepared by labor institutions indicate that the wage gouge resulting from Sarney's new austerity plan will be on the order of 50%. For the minimum wage—one of Ibero-America's lowest—the immediate reduction will be 10%. Supposedly, one of the prides of the Sarney government is that the minimum wage is being slowly raised.

According to the government authorities, the purpose of the new measures is to get the inflationary spiral—now approaching 35% a month and more than 1,500% a year—under some kind of control. But the government is really hoping that by somehow injecting yet another dose of morphine into the patient, it will gain time to reach the November 1989 presidential elections all in one piece.

However, since the fall of former Finance Minister Dilson Funaro in April 1987, the Sarney government has been systematically upping the austerity doses, and now a monstrous recession and denationalization of the economy is looming, which threatens to bring ever closer the possibility of an electoral victory for the pro-terrorist communists of the PT party, or of the PDT of social democrat Leonel Brizola.

The main author of the "Summer Plan" is the oligarch Octávio Guovêa de Bulhões, a self-declared malthusian and admirer of Hitler's Economics Minister Hjalmar Schacht. Guovêa de Bulhões represents the liberal economic school which came to power in Brazil during the sixties and has yet to be uprooted. One of his disciples, international vice-president of Citibank and former Brazilian Planning Minister Mario Henrique Simonsen, acknowledged the anti-growth nature of the "Summer Plan" when he told the daily *Jornal do Brasil* Jan. 15, "I never saw a successful anti-inflation plan where a recessionary period did not exist."

Simonsen, who has little by little been taking control of the country's finances and is determined to see the Schachtian policy of "sky-high interest rates" maintained at all costs to guard the profits of the banking community for which he works, told *Jornal,* "If there is rigid control of monetary policy, interest rates must remain entirely free."

Simultaneous with the announcement of the Summer Plan, both President Sarney and his finance minister announced that steps would be taken to restructure the Brazilian foreign debt. Although threatening that a suspension of debt payments could be decreed if Brazilian reserves are not adequately beefed up with new credits, Minister Maílson da Nóbrega has repeatedly made it clear that any such moratorium would not be a threat against the banks, but a "Venezuela-style" measure, that is to say, a negotiating strategy with the creditor banks.

With such a step, Brazil would join the plan that social democratic President-elect of Venezuela Carlos Andrés Pérez has been coordinating with the Davos group of Swiss bankers, whose content is but a variation of the failed Baker Plan for rolling over the debt.

Thus, the Brazilian government has instructed its ambassador in Washington, Marcilio Marques Moreira, to begin negotiations with the bank advisory committee. The first result of said negotiations has been the Summer Plan, to guarantee the punctual payment of some $12 billion a year in interest on the debt. Brazil obtained as a "concession" the suspension for one year of re-lending operations, which was to reach $1.4 billion, according to the deal signed with the international banks last September.