Report from Rio by Silvia Palacios

Monetarist cudgel against pensioners

Collor would follow in the footsteps of Chile's Pinochet, in chiseling old people to satisfy the IMF.

Despite his failure to win congressional approval, President Fernando Collor de Mello went ahead anyway and applied the monetarist cudgel to enforce the demands of the International Monetary Fund (IMF). On Jan. 20, he issued a decree unprecedented in the country's history, which suspended the 147% increase won by a court ruling last year for 2.5 million Brazilian retirees and pensioners. It had been poor enough compensation for the erosion of their fixed incomes by the brutal recession Brazil is suffering. Now, many face starvation.

At the same time, President Collor fired both his Labor and Social Action ministers, replacing them with two figures from the old political elite, congressmen Reinhold Stephanes and Ricardo Fiuza. His intention, it would appear, is to guarantee congressional support for future such austerity measures.

The government's decision to accelerate its gouging of living standards stems from the fact that the IMF board of directors will be meeting during the last week of January to evaluate the Letter of Intent that the Collor administration has presented. That letter commits the government to maintaining the economy at a less than zero growth level, through the execution of precisely such draconian measures against the population, in exchange for a $2 billion stand-by loan.

According to the monetarists' agenda, the social security hike to the pensioners posed a threat to ongoing negotiations with the bankers, since the Collor government would have had to disburse $3 billion to cover the increase. This was confirmed explicitly by central bank president Francisco Gros, who, following a tour of the centers of Anglo-American power to meet with the creditor banks, admitted on Jan. 20 that the 147% increase "is really a problem."

Similarly, Finance Minister Marcilio Márques Moreira, in a Jan. 17 meeting with the ambassadors to Brasilia of the Group of Seven industrialized nations, asked them to send the message to their respective governments that despite the crisis in the social security system, the Collor government would fully respect its pact with the IMF and the measures liberalizing foreign trade. It was later learned that the strongest pressures brought to bear on the Brazilian government to reverse the increase to the elderly came from the United States and England.

This blow to the social security system also serves as a green light to its long-sought privatization, given that the nearly $20 billion in Brazilian pension funds has become the new booty coveted by banking speculators. According to the Jan. 18 issue of the daily *O Estado de São Paulo,* the choice of Reinhold Stephanes as the new labor minister "indicates the President's clear preference for a privatizing solution to the problems of social security." Stephanes was the author of a technocratic plan to make that system "solvent," which was presented to Collor at the beginning of his term.

The plan to privatize the social security system is a continent-wide one. It was originally proposed by the Inter-American Development Bank (IADB) in its report "Economic Progress in Latin America—'91," which proposed the moribund social security systems of Argentina, Brazil, and Uruguay as targets for dismantling. Although the IADB report made no mention of Mexico, President Carlos Salinas de Gortari—George Bush's free enterprise model for the continent—has already taken steps in that direction.

In all of these cases, the social security systems were minimal victories of labor legislation. Some, such as Brazil's, with its 60-year history, were influenced by the social doctrine of the Catholic Church, especially by Pope Leo XIII's *Rerum Novarum* encyclical, which argued for establishing systems to protect the dignity of the worker. But usury has destroyed these systems, and like the state-sector companies, they were looted by the banks, starting a decade ago. The IADB report itself admits that among the causes for the collapse of fund-collection for these systems are: reduction in real value of wages, increased unemployment, the growth of the informal economy, and high inflation rates.

Ironically, despite all the demagogy of President George Bush, who proclaims "democratic stability" as the basis of his Enterprise for the Americas initiative, the IADB does not hesitate to bare the anti-democratic implications of such monetarist schemes. Thus, the IADB report unabashedly offers as the model for a privatized social security system the example of Chile, when General Pinochet—under orders from Milton Friedman's "Chicago Boys"—ordered the privatization of the social security and health systems. Such drastic reforms were only enforceable by the dictatorial nature of the government which ordered them.