

## Report from Rio by Lorenzo Carrasco

### Taking on the monetarists

*The military is moving to cure itself of the economic policy affliction it has suffered since World War II.*

**T**he Anglo-American establishment's campaign against the Brazilian Armed Forces is provoking an organized reaction within high-level military circles to kick out those "free-market liberal" tendencies which have traditionally dominated the Armed Forces' economic views.

Those groupings infiltrated the Armed Forces back during World War II, through Brazil's strategic military agreements with the United States. As noted by the military-linked *Ombro a Ombro* in a late August editorial, "We went with the Brazilian Expeditionary Force to combat Nazi-Fascist tyranny, for the purpose of defending freedom and democracy throughout the world. Immediately, Brazil joined the United States, the power that emerged from that conflict as the world leader of democracy, but, hypocritically, [the United States] tolerated and permitted the advance of Communist tyranny throughout the world."

The editorial then launched into an attack on those "privileged groups" who exploited the 1964 revolution, when the military seized power in Brazil. "We lost a great opportunity to . . . correct the disproportionate economic power of the privileged groups that astutely aligned themselves with [the revolution], so as to enjoy the benefits. Later, through the major press which they ran and which were tied to foreign interests, they became the champions of a return to democracy."

*Ombro a Ombro's* editorial is clearly directed at the likes of Roberto Campos, Otavio Goveia de Bulhoes, Delfim Netto, Mario Henrique Si-

mensen, and the other monetarists who dominated economic and financial policy during that military period.

This offensive against the monetarists within the Armed Forces is by no means limited to the media. In early October, the Superior War College (ESG) organized an economic seminar for the purpose of sending a message. The ESG is viewed by the free-market liberals as the military's fount of economic doctrine. Invited to this event was economist Maria da Conceição Tavares, a fierce critic of the economic policies of Delfim Netto and Roberto Campos.

Tavares charged that the economic policy of current Finance Minister Fernando Henrique Cardoso, and especially his draconian fiscal "adjustment" plans (privatization and the adoption of a "fixed exchange," the term used to imply dollarization of the economy), were elaborated through what has been dubbed "the Washington consensus," meaning the prescriptions of the International Monetary Fund and World Bank.

Said Tavares, "The currency board, which would be imposed by Cardoso's economic team in coordination with 'the Washington consensus,' with a ceiling on monetary emission inspired by the gold standard, in practice means throwing out the national currency. The end of the national currency is, of course, the end of the sovereign state. It is the model of Hong Kong and of Latvia. It is the end of any national development project."

Even more significant was the Aug. 31 conference presented by ESG director Brig. Sergio Xavier Ferolla,

to a large audience at the Brazilian Press Association, headed by legendary journalist Barbosa Lima Sobrinho, the most prominent proponent of the "American System" of economics in Brazil. Said Ferolla, "In defining the basis for the National Project, it must be clear that the country's growth should be total, meaning a substantial increase in the quality of life and in the necessary internal accumulation of capital, without basing ourselves entirely on foreign investment and on international high-technology which generates foreign indebtedness and a greater economic dependency on the world financial system."

Regarding technological development, Brigadier Ferolla reaffirmed "the importance of investment in strategic sectors not necessarily of exclusive interest for military purposes, but of parallel importance in terms of national power and its direct reflection on the civilian segment of industry. These are advanced technologies to be used in nuclear energy; scientific satellites, for application and for telecommunications; aeronautics and space; among others, which become available for the industrial sector, giving rise to sophisticated electronic products, new materials to solve engineering problems, and, in the area of medicine, increasingly small, more efficient and less expensive computers. . . . Modernization must be sought through a more dignified outlook in the social arena, with a realistically structured industry capable of making its products accessible to the broadest sectors of society, taking advantage of the enormous internal market that Brazil possesses."

On Oct. 25, *Jornal do Commercio* reported that Brigadier Ferolla would be presenting his proposals to the Joint Chiefs of Staff of the Armed Forces, to be presented to the government.