Report From Rio by Silvia Palacios

Ninety decisive days

Brazil's President-elect hasn't much time to stop the economy from following the Argentine model.

During the past two weeks, the lead headlines of the Argentine and Brazilian press might have been easily interchanged; the first announced the failure of the latest monetarist measures imposed on that unfortunate country, while the second, in Brazil, presaged those yet to come.

On Feb. 15, a panic hit Brazil's overnight market, which daily moves $70 billion, and where the government turns each day to refinance its internal debt. The cause of the panic was the less-than-credible rumor of a government declaration of an internal debt moratorium, which sent "investors" flying in search of "more secure markets." The dollar on the small but influential parallel market took off. And although official statistics estimate that February inflation will be 70% (it was 56% in January), these statistics did not take into account the new speculative orgy that has just been triggered. In March, when President-elect Fernando Collor de Mello takes office, inflation will probably have passed the 100% barrier.

Such a "mini-crisis" not only brings Argentina to mind, but also the "Caracazo" that occurred in Venezuela exactly one year ago, when that country's population poured out into the streets in furious response to the austerity package ordered by the International Monetary Fund (IMF). Similarly, on Feb. 8, one of the continent's largest food distributors was sacked by desperate inhabitants from the miserable *favelas,* or ghettos, surrounding Rio de Janeiro.

Such Brazilian outbreaks of looting were hardly unexpected. According to statistics from the Inter-Union Department of Economic and Social Studies (DIEESE), the price of basic food items in January rose 100%, but not so wages, which have been ravaged by the violent inflationary explosion afflicting the Brazilian economy.

Thus, with less than one month before President Sarney hands the reins of power over to his successor Collor de Mello, the tremors that have already begun to be felt offer a glimpse of the economic catastrophe not far down the road, unless the new government takes measures to halt the usury which is corrupting Brazil's productive apparatus after a decade of looting by the IMF and its domestic allies.

It could be that the sheer force of reality might change the liberal economic strategy that Collor has already announced will dominate his administration. On Feb. 13, upon his return from an international tour, Collor declared that the "mini-crisis" is, without a doubt, "the worst scenario we could imagine finding" at the moment of taking office. In his press conference, Collor said that it is the speculators who will have to "foot the bill" for the anti-inflation program his government intends to carry out. He went on to accuse the "elites" that have been governing the country of being "usurers" and "egoists."

Nonetheless, as can be seen in Collor's tour of Europe, Japan, the Soviet Union, and the United States, his options are rather limited, and only one of those will return Brazil to the path of sovereign development. It was in Europe, and particularly in Great Britain, that bastion of Thatcherite liberalism, where Collor's penchant for the "magic of the marketplace" was most in evidence. On Feb. 8, he gave a speech blaming the state for having "lost the capacity to invest" and for "inhibiting national or foreign investment."

On the U.S. side of things, President Bush showed no interest in improving the seriously deteriorated relations of his country with the nation that was once its closest hemispheric ally. Bush employed Collor's visit, rather, for the maximum publicity he could squeeze out of it.

Ironically, on the day President-elect Collor arrived, the *Wall Street Journal* published the sequel to its infamous Brady Plan. On Feb. 4, Collor's main economic adviser Zelia Cardoso de Mello told *Gazeta Mercantil* that the plan was "virtually a joke," and that the Brazilian delegation was not even able to meet with the plan's author Treasury Secretary Nicholas Brady. The meeting was canceled, and a dinner offered to Collor in its place.

It was, tragically, the virus of liberalism, that leftover of old British colonialism which parades as "modernization," that infected the Argentine economy and sent it into the coma in which we find it today. President-elect Collor hasn't much time to correct the suicidal path Brazil's foreign creditors would make his country take. It were far better for his administration to seek "modernization" by forging closer economic ties to industry-oriented nations like France, Germany, and Japan, rather than with the decadent, usury-plagued economies of the United States and England. Otherwise, social explosions like the looting in Rio will rapidly become the norm.