London Signals Military Dictatorships May Be Required to Defend its Economic System

by Dennis Small

Dec. 7—The *Financial Times* editorial board yesterday warned Brazilian President Jair Bolsonaro that he is not allowed to have "second thoughts about handing free rein to a minister who studied economics at the University of Chicago in the 1970s." The minister in question is Finance Minister Paulo Guedes, who that very day told reporters in Washington, D.C. that if mass protests spread into Brazil from the rest of South America, military dictatorship may be imposed to crush it.

Given the widespread political ferment and unrest sweeping many countries in Ibero-America—and the rest of the world—such a message is clearly not aimed solely at Brazil.

Bolsonaro has done most of what has been demanded by London's man, the University of Chicago-trained (1974-1978) economist Guedes. The government succeeded in getting Congress to pass a law gutting the social security system (something sought by international financiers for decades), and it is proceeding on other "reforms": privatizing the state electricity company, ending the government monopoly on minting currency, mandating automatic austerity triggers for states and municipalities if they go over spending limits, and tax overhaul, among them.

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Brazil reforms: has Jair Bolsonaro missed his moment?

The government's plans to kick-start the economy risk being overshadowed by riots in Chile and political turmoil at home

Michael Stott and **Andres Schipani** in Brasilia and **Bryan Harris** in Quadra
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When Brazil's congress finally approved a landmark pensions reform in late October after more than two decades of prevarication, business groups cheered and investors started to wonder whether President Jair Bolsonaro's far-right government might finally deliver on an ambitious agenda to revive Latin America's largest economy.

The New York Times

Ex-President 'Lula' Is Freed From Prison in Brazil After Supreme Court Ruling

Brazil's top court ruled that defendants may remain free while they exhaust appeals in criminal cases, a decision with far-reaching implications in corruption cases.

Former President Luiz Inácio Lula da Silva after being released from prison on Friday in Curitiba, Brazil.

By Ernesto Londoño and Leticia Casado

Mass Protests Greet Bolsonaro's 'Reforms'

But Bolsonaro balked at the immediate implementation of one "reform," which would cut public workers' wages and rights. The *FT* board recognized that this hesitation reflected fear that a process akin to Chile's "popular uprising [against] Friedmanite economic policies"—which has triggered over 40 days of non-stop protests that have brought up to 2 million people out on the streets at a time, out of a total population of 18 million—could break out in Brazil as well. This could be double trouble, because the wildly popular former Brazilian President Lula da Silva was released from jail on November 9 (where he had been incarcerated for nearly two years on phony corruption charges), and is already touring the country organizing against Bolsonaro and Guedes's austerity policies. Lula "has lost no time in labelling Mr. Guedes a destroyer of jobs and rallying opposition," the *FT* editorial board complained.

But the *FT* instructed Bolsonaro to march into the breach, regardless. "Far too much is at stake for Brazil to risk its economic reforms foundering on the rocks of populism. Latin America's giant has already waited inordinately long to put government finances on a sustainable footing and to make the country a more attractive place to do business. If it misses the opportunity now, the window for change will close, perhaps for years, and international investors will turn elsewhere," the City of London's *FT* threatened. "Mr. Bolsonaro should keep his nerve."

Will the Infamous 'Institutional Act-5' Be Invoked?

Guedes, in Washington for meetings in late November, when asked about Lula's calls for mobilization against his economic "reforms," suggested the Brazilian military government's infamous 1968 "Institutional Act-5" (AI-5) may have to be reinstated. Under AI-5, Congress was shut down, mass arrests began, and torture was institutionalized as policy. Guedes cynically argued: "Is democracy only when your side wins? When the other side wins, after 10 months you convoke everyone to take to the streets? What kind of responsibility is that? Don't be startled if someone asks for an AI-5," Guedes threatened.

Guedes's threat had been preceded by a trial balloon floated by President Bolsonaro's son and political ally, Eduardo, who weeks earlier had suggested reinstating AI-5. Eduardo Bolsonaro—a mafioso personality-type, connected to militias, who handles the family's ties to Steve Bannon and Brazil's radical neoconservative/anticommunist ideologue Olavo de Carvalho—has made himself the spokesperson for a strategy of repression. When Eduardo first raised the threat of AI-5, Brazil's Supreme Court had remained silent. But when the internationally-connected Guedes repeated the threat, the President of the Supreme Court, Dias Toffoli, now responded: "AI-5 is incompatible with a democracy. . . . You do not build a future with the failed experiences of the past."

Agência Brasil/José Cruz

Former President of Brazil, Luiz Inácio Lula da Silva speaking at a political rally.

The Ghost of Néstor Kirchner

London is also nervously eyeing what may happen in neighboring Argentina, where the anti-austerity government of Alberto Fernández will take office on December 10, and has already announced that it has no intention of following IMF conditionalities. In an interview with the "Con Vos" (With You) radio program, reported by *Ambito Financiero*, President-elect Fernández said he won't accept the $11 billion in remaining tranches of the $57 billion standby loan that outgoing President Mauricio Macri signed with IMF in 2018:

> [In any new agreement with the IMF,] the first rule is to stop asking for money. . . . I won't sign any deal we can't comply with. Macri already did that. . . . If you have a problem because you are highly indebted, the solution isn't to take on more debt. I have a problem and I'm going to ask for $11 bn. In more debt? It's like the guy who drank too much, and he's a little bit drunk. The solution isn't to keep on drinking; the solution is to stop.

Fernández, who will be sworn in as President on December 10, along with Cristina Fernández de Kirchner as Vice President—herself an ex-President (2007-2015) and the widow of former President Néstor Kirchner (2003-2007)—emphasized that rather than leaving the country with a solid basis for development, Macri "is leaving us with many problems. Indebted families are part of the legacy he's leaving."

Fernández, who was Chief of Staff during the Néstor Kirchner Presidency, pointed out that Macri has imposed such harsh austerity, that the country now has a vaccine shortage, so that diseases like chickenpox, measles and TB are reappearing. "That is evidence of a certain disdain for [your fellow man], where people are seen as just numbers." The economy has been paralyzed for two years, with declining consumption, he warned. "We have to produce once again, offer credit to reactivate production, give money to retirees so they can consume."

Within four years, Macri increased the foreign debt by $100 billion—with nothing to show for it except a crisis-wracked economy and beaten-down population. Ninety-eight percent of that $100 billion left the country in the form of capital flight. Today, over 40% of Argentines live in poverty.

Remember December 2005

What is really haunting London is what happened in Argentina and Brazil precisely 14 years ago, under the presidencies of Néstor Kirchner and Lula, respectively.

During the week of December 11-17, 2005, the governments of Brazil and Argentina unexpectedly announced that they would pay off the balances owed the International Monetary Fund (IMF) before the end of the year—clearly having coordinated their actions beforehand. On December 13, Brazilian Finance Minister Antonio Palocci told reporters that the Lula da Silva government would dip into its sizable $63 billion in reserves to pay the $15.56 billion it owed, noting this would save $900 million in interest payments. Two days later, Argentine President Néstor Kirchner announced that he would also use Central Bank reserves to pay an outstanding balance of $9.8 billion, saving $1 billion in interest payments.

While IMF Managing Director Rodrigo Rato nominally "welcomed" both actions, he was decidedly unenthusiastic about them. Debt bondage is leverage, and Argentina and Brazil had just removed their shackles.

President Kirchner's December 15, 2005 speech at the Presidential palace was a strong nationalist attack on IMF policies for plunging Argentina into poverty and indigence. His denunciation of the Fund, and his assertion that by paying off the $9.8 billion, "we are burying a good portion of the ignominious past of infinite indebtedness and eternal adjustment," brought the audience of business leaders, provincial governors, legislators, trade unionists, and human rights activists to their feet in an ovation:

www.presidencia.gov.ar

Former President of Argentina, Néstor Kirchner.

> [The debt owed the IMF] has been a constant vehicle for interference, because it is subject to periodic review and is a source of demands and more demands. The International Monetary Fund has acted toward our country as a promotor of, and vehicle for, policies which provoked poverty and pain among the Argentine people, at the hand of governments that were lauded as exemplary students of permanent adjustment. Our people can corroborate that. [For a long time], we have been instructed in impotence and told that we can't do anything. . . . They wanted to instill in our soul the certainty that reality is untouchable. . . . They wanted to make us believe that not to do anything new is the only realistic option.

But now, he warned, the Argentine President will use his "popular mandate" to act as a protagonist, in the best interests of Argentina's people.

At the time, U.S. statesman Lyndon LaRouche strongly supported the measures taken by Argentina and Brazil in paying off the debt. The very interesting aspect to this, LaRouche explained, is that the IMF would no longer be the creditor. There was a fiduciary relationship between the IMF and these countries, but no such relationship can exist between debtor nations and private interests, many of whose alleged debts are of very dubious character. So, the ability to impose regulation on these countries' internal balances, once the IMF is paid off, is ended, LaRouche underscored. "None of these creditors has the power to demand—that is, with the force of regulatory authority—that the debtors obey." They have no judicial authority.