

9 Economic Ideologies and the Consolidation of Democracy in Brazil

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The transition to democracy was a long process in Brazil. It started in the mid-1970s and just came to an end at the beginning of 1985. Three years later, however, most people in Brazil believe that the democratization process in Brazil is unfinished. Raymundo Faoro said recently (1988, 7) that the transition to democracy in Brazil is taking so long that it will end being longer than the authoritarian regime. I understand very well this view but I do not accept it. The transition to democracy finished three years ago. But the resulting democracy, as it was not able to solve the economic and social problems the country faces, is disappointing. In other words, the political regime in Brazil is democratic, but it is far from being consolidated. Actually, as the new democratic government is unable to overcome the existing economic and social problems, a new political crisis emerged.

In a recent paper (1988a) I analyzed the political crisis existing today in Brazil – a crisis of legitimacy and governability – and related it to the inability of the Sarney government to be faithful to the modern and democratic political pact that united workers, salaried middle class and industrialists to defeat the military authoritarian regime. This was a pact of modern, industrial capital – the dominant type of capital existing in Brazil – but the Sarney government, particularly since 1987, was taken over by representatives of an archaic, mercantilistic type of capital, formed by politicians and businessmen dependent on the favours of the state. The inconsistency between the central government and the hegemonic economic and ideological forces in Brazil and also the inability of the government to face the deep economic crisis prevailing today in Brazil produced a crisis of legitimacy that endangers the new Brazilian democracy.

In this paper I will take a complementary approach, as I will try to analyse some political or ideological obstacles for the consolidation of democracy in Brazil. I will argue that the democratization process of the country was based on solid economic and social realities, it was a

conquest of civil society rather than a gift of the military regime, but I will also try to demonstrate that the democratization process did not tackle some basic ideologies and political practices typical of middle-income industrialized underdeveloped countries like Brazil – some anachronistic nationalist beliefs of the left, unrealistic demands by the workers, populism and clientelism of the politicians, conservatism, short-sightedness and subordination to external interests of the élites – problems that represent serious obstacles to sound and progressive economic policies, that are required for the resumption of growth and the achievement of price stability.

The economic crisis in Brazil – defined by per capita income stagnation since 1980 and by extraordinarily high inflation rates – was in the beginning of the 1980s a basic cause of the authoritarian regime's defeat, but now, as it remains without solution, this same economic crisis is threatening the new democratic regime. Some analysts have been arguing that there is no contradiction between democracy and economic instability, using as examples the cases of Spain, Brazil and Argentina, where the democratization process took place in the middle of severe economic crisis. Actually they are adopting a static approach to the problem. Recession and high rates of inflation will be unstabilizing factors for the regime that happens to be in power, be it authoritarian or democratic. At the end of the 1980s, as most of Latin America political regimes are democratic, it is democracy that is being threatened by the economic crisis.

In this paper I will not discuss the economic crisis, but the political problems that make it more difficult to solve this crisis. It is common to hear that the present Brazilian economic crisis has political origins and should be solved in the political arena. I do not agree with this proposition. I believe that the economic and the political crises existing today in Brazil are autonomous although interacting, mutually influencing each other. The economic crisis is older; its origins are to be found at the end of the 1970s. The political crisis, in its present form, is a phenomenon of the second part of the 1980s; it is defined by the inability of the Sarney government and, more broadly, of the Brazilian élite to face the challenge of establishing in Brazil political practices and ideologies consistent with a modern and democratic capitalism.

To say that economic problems have political origins or that their solutions depend just on political will is to reduce economic policy to an all-powerful social engineering device. The original and more correct name of economics – political economy – underlined the

political and social character of the economic process. But this does not justify a transformation of real economic problems into political problems, or saying that the economic crisis that Brazil faces today will be overcome provided the political obstacles find an adequate solution. There is here a curious contradiction, because the conservative economists who defend the political and ideological neutrality of 'positive economics' are precisely the ones who say that economic problems can be easily solved by political means. The political obstacles to sound economic policies have a paramount importance, but their solution is no guarantee that the economic problems will be successfully solved.

The consolidation of democracy in Brazil depends both on overcoming the present economic and political crisis. Simon Schwartzman observed (1988, 4) that it is a 'political myth' to believe that democratic regimes are more efficient than authoritarian regimes in producing social and economic benefits. That is true. Democracy should not be considered as a means but as an end in itself. But it is also true that the democratization process gave rise to great expectations due to this myth. Now, the inability of the new democratic regime to manage Brazil's economic and social problem is a source of disappointment, representing a major threat to the consolidation of democracy. In this chapter I will try to understand why this is happening, looking for the political and ideological obstacles to a sound and reformist economic policy – an essential factor for the consolidation of democracy in Brazil.

REDEMOCRATIZATION PROCESS

The redemocratization process that occurred in Brazil between the mid-1970s and 1984 was the result of a deep political process. The resulting democracy was not a gift or a concession of the military, but a civil society conquest. It was based on the consolidation of a modern type of capitalism, that dispenses the use of direct violence for surplus appropriation.

There are actually two opposite interpretations of the redemocratization process in Brazil. One says that first, Geisel's 'distensao', and, second, Figueiredo's 'abertura' demonstrate that the redemocratization process was an initiative of the military; civil society may have had some role in protesting or pressing for democracy, but the redemocratization process was essentially the result of a political

strategy of the authoritarian regime (see Martins, 1983; Diniz, 1985). My interpretation goes in the opposite direction (1978, 1985). What indeed happened in Brazil was a dialectical process between the 'redemocratization' demanded by civil society and the delaying strategy of 'abertura' conducted by the military. The redemocratization process, beginning from the coup of 1964 with the support of workers and of the intellectualized middle class (democratic technobureaucracy), received the decisive adhesion of the bourgeoisie (more specifically of the leading industrialists) around 1977. It was this support that gave strength to the redemocratization process, but it was also the factor which, leading to a 'conservative transition' (see Weffort, 1984), made some analysts say that the transition effectively did not take place (Fernandes, 1985).

These analysts are wrong. They are victims of their natural disappointment with the new democratic regime. Actually the redemocratization process did take place. The fact that the new president was not directly elected by the people is important, but it is not essential. The facts are that we had free elections in 1986, that the press and the formation of political parties are free, that the judiciary power is working with independence, that the Congress has just finished writing a new constitution which was freely debated and approved – a constitution that is no one's dream, that is much too conservative for the left, and too much progressive for the right, but which is indeed the best compromise that Brazilian society could eventually produce today. For all these reasons we do have a democratic regime in Brazil, and a new Constitution which, in spite of the faults that we may attribute to it, is a positive factor for the consolidation of democracy in Brazil.

I know very well that this new democracy did not bring either economic development or social justice to the country. But it is important not to amplify the concept of democracy, not to try to include in it all our objectives. Democracy is a type of political regime, not a utopia. Democracy is not necessarily a means for economic development and social justice. Historically, 'democracy came as a late addition to the competitive market society and the liberal state. . . it was an attempt by the lower class to take their fully and fairly competitive place within those institutions and that system of society' (Macpherson, 1966, 10–11).

We may have authoritarian regimes that are very successful in promoting economic development (it was the case of Brazil during a large part of the authoritarian period) and in producing a more equal

distribution of income (see, for example, the contemporary statist formations that have the Soviet Union as prototype). Democracy, economic growth and a more equal distribution of income should be final objectives of every society. And certainly we can consider each one of these objectives as related to the others. It is, for instance, easier to maintain democracy when the country is growing, and I hope that the reverse is also true. Growth, price stability and income distribution are major factors in consolidating democracy. But it makes no sense to confuse democracy with economic development or with a more equal distribution of income.

MODERATE LEFT IDEOLOGIES

Democracy in Brazil is more solid, more entrenched in the economic and social system than is usually thought. The reasons behind this proposition could be summarized in this way: (1) modern industrial capitalism is able to appropriate economic surplus through the market, dispensing the use of direct force necessary in pre-capitalist and mercantilist societies; (2) the bourgeoisie does not feel threatened by the left; (3) the revolutionary left is in crisis all over the world and particularly in Latin America, and so it does not have a revolutionary project that would threaten the hegemony of the bourgeoisie; (4) the same can be said of the military and, more broadly, of the authoritarians: they do not have an alternative project for Brazil, they are as perplexed about the economic and political crisis as the bourgeoisie.

But it is not possible to say that democracy is consolidated. Guillermo O'Donnell (1988, 85) underlined that if a military coup is not likely, the 'slow death' of democracy – that is, a process of continuous loss of effectiveness and credibility of the political institutions due to the government's failure in facing the economic and social problems – is another possibility.

Government failure in facing these problems cannot be attributed exclusively to its personal limitations, nor to the sheer size of the economic obstacles. It is also clearly related to the political practices and ideologies that are not conducive to the adoption of the bold, coherent and firm economic policies that are needed.

Let us examine these ideologies and political practices. I will classify them according to their origin: (1) in the moderate left, (2) the opportunistic right, (3) in the ideological right.

I will start with the moderate left. Although I personally feel myself identified with this group, I have been convinced for a long time that an essential task today is to criticize the anachronism of some ideas of the left. In the 1950s I was engaged in the fight for industrialization through import substitutions and state intervention, but already in the 1960s I was pointing out new historical facts tied with the modernization of Brazilian capitalism that required a new interpretation of Brazil (see Bresser Pereira, 1983, 1984). This moderate left criticized severely the orthodox economic policies of the authoritarian regime. Sometimes they did it correctly, but on other occasions they were just repeating old-fashioned slogans, that could have made sense in the 1950s, but did not do so any more in the 1980s. Let us review these ideas:

Old fashioned nationalism

In the 1940s and 1950s the left developed the thesis that imperialism was allied to agro-mercantile capital in order to prevent industrialization. The large investments of the multinationals in manufacturing industry since the mid-50s proved that, if their thesis was correct in the past, it has ceased to be true since then. The new dependency theory acknowledged this fact (Cardoso and Faletto, 1969). But even today we have nationalists thinking in terms of the 1950s. They do not understand that to be nationalist today is rather to fight the irrational attempt of fully paying the external debt, or to strive for the development of autonomous scientific and technological progress within the country, than to oppose the multinationals which make an effective contribution to economic growth.

Orientation to internal market

In the mid-1960s the authoritarian regime decided on an export-led strategy of development. It was a correct decision, although it had the perverse short-term consequence of making compatible sustained rates of internal demand growth with income concentration. The moderate left opposed this orientation from the beginning, not acknowledging that the alternative growth pattern, based on highly capital-intensive import substitution projects, besides having exhausted its virtues as a growth model in the early 1960s, is much more income-concentrating in the long run than a growth strategy based on exports of labour-intensive manufactured goods. In the 1970s the left

used to criticize Korea and Taiwan as 'export platforms'. Today we know that these countries, besides having taken advantage of the international competitiveness embodied in export-led development, present a much more even distribution of income than Brazil. The agrarian reform that was undertaken in these countries just after the Second World War is one cause of that; the other is export-led growth.

Refusal to adjust attitude

That is a consequence of an entrenched – and not dutifully revised later on – 'developmentism' that characterized the Latin American structuralists, including myself, in the 1950s. The adjustment of the 1960s was severely criticized by them. The fact that the adjustment was based almost exclusively on the reduction of wages (see Lara Rezende, 1982) was indeed a good reason for criticism, but the left based its disagreement almost only on a 'no-to-recession' slogan. In 1979, when adjustment was absolutely necessary, the irresponsible developmentist economic policy of the Planning Minister of the authoritarian regime was supported by economists of the structuralist moderate left. When adjustment finally began in 1981, the basic idea of the left was that the adjustment was not necessary, when, indeed, it was. Actually at that moment it was just impossible – besides being undesirable – to try to maintain the large trade and current account deficits. The only innovative and serious criticism to the orthodox adjustment policies originated in the moderate left came from the economists who developed the theory of inertial inflation (see Bresser Pereira and Nakano, 1987, chapter 1, for a survey of this theory).

Wage distribution

Income concentration is recognizedly a major problem in Brazil. We have one of the most uneven and unjust patterns of income distribution in the world. But this fact does not legitimate unrealistic wage distribution. A progressive economic policy in Brazil will necessarily have as a major objective the achievement of a less uneven income distribution, but it will have to be very careful about increasing real wages above productivity levels. Whenever this is tried, profits are threatened and acceleration of the inflation rate is unavoidable. Actually wage policy should be limited to three objectives: to protect

real wages from inflation, to assure that productivity increases are transferred to the workers, and to reduce wage differences through the gradual increase of the minimum wage. Otherwise, agrarian reform, progressive tax reform and the orientation of public expenditures to the poor are safer and much more efficient distributive strategies.

These ideas, however, are not usually accepted among the moderate left. A slogan is often used: 'wage increases are not a cause of inflation'. For a long time, during the authoritarian regime, this phrase corresponded to reality, since real wages either increased less than productivity or were reduced in absolute terms. But, at the end of the 1970s we began to see a different picture. And after the defeat of the authoritarian regime, in 1984, unrealistic demands by the workers, particularly the salaried middle class employed in the public sector, increased sharply, provoking inflation directly (cost inflation) and through the increase of the public deficit. Given the acceleration of inflation, however, the gains in real terms tended to have a short life, and the only lasting result was a higher rate of inflation.

In conclusion, some ideas and political practices of the moderate left – old-fashioned nationalism, the ideology of the internal market, the refusal to adjust attitudes and wage distribution – are no more consistent with rational, coherent economic policies. They represent an obstacle to growth and price stability, and, as a result, to the consolidation of democracy in Brazil.

OPPORTUNIST RIGHT IDEOLOGIES

Different, but in the end leading to the same results, are the ideologies and political practices of the opportunistic moderate right and of the ideological moderate right. The moderate ideological right in Brazil calls itself 'centre', but the concept of centre makes no sense in political science. It is only a disguise for the conservatives, who, in Brazil do not like to be called right or conservative. On the other hand, the opportunistic right is part of the right for the simple reason that Brazil is a capitalist country. Actually, an opportunist is by definition a politician without firm ideological convictions. In a capitalist country, even if he pretends to belong to the left, he will in the last analysis be a conservative, because he will make all the required compromises with the ruling class.

Let us start with the political practices of the opportunists that influence economic policy:

Economic populism

This is a basic political disease in Brazil. I am aware that the word 'populism' has several meanings. That is why I qualify populism with the adjective 'economic' in order to distinguish it from other meanings, as, for instance, the 'populist pact' of the 1950s. One who spoke very precisely about economic populism in a few pages was Carlos Diaz Alejandro (1981), describing the causes of the economic crisis that used to precede the stabilization policies in the countries of the Southern Cone. In one phrase, economic populism is the political practices of saying 'yes' to the demands of all sectors of society at the expense of the public sector. Populistic economic policies lead directly or indirectly to public deficits and to balance of payments problems. Increase in wages and salaries for public workers and officials, increase in the purchases from the private sector, increase in subsidies to consumption and in subsidies and incentives (tax renunciations) to the private sector, artificial valorization of the local currency, increase in subsidized credit given by official banks are among the more common populist practices.

The result of populism is the 'populist cycle'. At first, as the government increases wages and raises public expenditures, while holding down the exchange rate, the internal interest rate and the prices of the public sector, the economy undergoes high rates of consumption and investment, growth and low rates of inflation. But soon the distortions provoked by these practices appear – balance of payment problems and inflation – and the cycle ends in a radical change in economic policy and/or in a big crisis. The expansionist policies of 1979–80 (probably the worst mistake in the history of economic policy in Brazil) and of the Cruzado Plan (an excellent plan, a lost opportunity due to incompetent management) are typical examples of the populist cycle in Brazil, the first coming from the right under Delfim Netto, the second, from an alliance of the left with President Sarney.

Clientelism

This is a political practice in the middle of the road between populism and sheer corruption. The three practices imply the use of public

funds: in the case of populism they are used in an impersonal form, to assure the goodwill of the groups or communities which benefit by the public expenditure; in the case of corruption, in a very personal form, to become rich; while in the case of clientelism, they are used in a semi-personal form, benefiting persons or groups who are potential voters. Brazil has invented a new and very expressive word to mean clientelism: 'physiologism'. The politician 'fisiologico' is an opportunist by definition. He is a person who transforms politics into a special kind of business – a business where he uses his political power to give and receive favours. He is physiological because he puts material, personal interests above ideas, above political and moral principles.

These two opportunist political practices are deeply embedded in the Brazilian political system, as a consequence of the low level of citizenship of the people. Lack of information, poor political education, mistrust in relation to the élites, a favourable attitude in relation to 'popular' candidates are typical characteristics of the average Brazilian voter. Thus, in the words of Wanderley Reis (1988a, 24), 'given the characteristics of the Brazilian electorate, it is not realistic to expect that the stabilization of the democratic game take place around parties defined in ideological terms; it is more likely that the process of formation of the political parties will continue to be based on traditional clientelism with an electoral appeal of populist tonalities'.

CONSERVATIVE RIGHT IDEOLOGIES

The ideological right is also a major source of irrational economic policy. The bulk of the business élite in Brazil should be included in this category. They are not opportunists, but conservative, and conservatism in developing countries – besides putting order above social justice, besides resisting change – means ideological subordination to the value and belief system of the business élites in the developed, central countries.

They are truly convinced that their views on economic policy are intrinsically rational. The logic of capitalism and their own logic would both be pure rationality – a rationality that they confront with the irrationality of the left and of the opportunistic politicians. Given their control of the means of communication, they are usually able to pass along these ideas to the people, thus reinforcing their ideological hegemony.

Actually, their ideas are very far from being pure rationality, and represent a major obstacle to the adoption of a consistent economic policy in Brazil, especially at a moment when bold, far-reaching economic decisions must be taken. Let us see these ideologies and political practices of the ideological right:

Social conservatism

This is an obvious problem in a country where income concentration is amazingly high. The tax burden is relatively low and very regressive in Brazil, and so a progressive tax reform is an obvious tool for reducing the public deficit and improving income distribution. The ideological right systematically opposes tax reforms that increase the tax burden. On the other hand, state subsidies and incentives to business enterprises are a major source of budget imbalance, and although most of them lost their *raison d'être* long ago, the elimination of these tax renunciations is also opposed by their beneficiaries. The ideological right is formally concerned with income concentration in Brazil, but does nothing to solve the problem; it knows that a social pact, which would be essential to control wages and curb inflation, cannot be implemented without concessions to the workers in terms of social reforms, but as a rule they tend to oppose social reforms.

Monetarism

This is the conservative counter-revolution against Keynesianism; it may appear in its original Friedman version or in the rational expectations approach called 'neo-classical' by Sargent, Lucas and others; it is founded on a basic contradiction: it is a macroeconomic theory oriented (as the original Keynesian macroeconomic theory was) to economic policy, but professes a radical abstinence of state intervention – an abstinence that actually is not put into practice, given the fact that economic policy must be very active to impose the stabilization policies that their followers advocate.

At present, monetarism is the economic religion of the developed capitalist countries; it is therefore adopted almost without restrictions by the ideological right. Inflation in Brazil has structural origins and an inertial character, but they believe that it can be controlled just by the adoption of monetary and fiscal policies. Economic imbalances in an underdeveloped economy like the Brazilian are very

deep, but they believe that the market forces will be able to solve all problems.

The successive failures of this approach to solve the economic crises in Argentina, Brazil and Chile led monetarism to a certain degree of discredit in the early 1980s, but after the failure of the heterodox Austral and Cruzado plans, monetarism regained part of its prestige. Suddenly, as a result of a very interesting ideological *manoeuvre* of the ideological right, conventional stabilization policies and coherent and rational economic policies were equated to 'orthodox' monetarism and opposed to Keynesian and to structuralist 'heterodoxy', when, in fact, a large part of these policies is shared by competent economists of all schools. Actually, the economic policies recommended by monetarists proper, given their ideological and dogmatic character, given the fact that they do not take in account the specific characteristics of the Brazilian economy, and, more broadly, given their theoretical shortcomings, are often inadequate or simply irrational.

Crude liberalism

This is the complement of monetarism. The ideological right knows or should know that the state played a major role in Brazilian industrialization, but now the state is bankrupt in Brazil (see Rogerio Werneck, 1987; Bresser Pereira, 1987), making the possibilities for industrial policy very limited. The business élite has very little to gain additionally from the state. On the other hand, the conservative, neo-liberal creed is today dominant in the central industrialized countries, and it is not difficult to understand why the neo-liberal slogans against state intervention turned dominant also in Brazil.

The country is today undergoing the worst crisis in its economic history. Income per capita has stagnated for the last eight years. The major cause of this situation is the fiscal crisis of the state. Very strong measures are therefore needed to solve this structural financial imbalance of the public sector that turned the savings of the public sector into negative savings, reducing dramatically its investment capacity. The ideological right, however, minimizes the problem, speaking of public deficit when we have a fiscal crisis, and proposing to dismiss some public officials, when what is needed are much more drastic fiscal policies and decisions. They speak also against 'statization', against state intervention in general, when the problem is to

rescue the public sector which was led to bankruptcy partly by the big subsidies it granted to the private sector.

Subordinated internationalism

A greater internationalization of the Brazilian economy is a natural aspiration of the local business élite. Actually what they want is a stronger integration of Brazil's economic and social system into the First World, of which they wish to be part. They understand that this integration, or, rather, this association will make Brazilian capitalism economically and ideologically less vulnerable. I will not argue about these objectives. I believe that they are quite consistent. If there exists – as I believe it does – a clear economic and ideological hegemony of the bourgeoisie, if capitalism is well established in Brazil, this desire of a greater integration with the developed world is quite natural. The problem, however, is that this internationalism takes very often the form of a uncritical subordination to the interests of the developed countries. This attitude, which I propose to call subordinated internationalism, is a phenomenon of everyday life in Brazil. It is a consequence of the economic and cultural domination that the central developed world exerts over its periphery. But in the case of the ideological right, this subordination takes a militant character, as inconsistent with the national interests as the old nationalism of the left.

The more dramatic example of this subordinated internationalism is the view adopted by the ideological right in relation to the external debt. The external debt is the single major cause of stagnation and inflation in Brazil since early 1980s: it reduced the saving capacity of the country; it increased the public deficit given the fact that more than 80 per cent of the external debt is public; it accelerated inflation due to an increase in public deficit and to the devaluation of the local currency; it reduced investments due to the reduction of savings and also due to the increase in the interest rate it provoked. Clearly the Brazilian external debt is too high and cannot be paid. A reduction of the debt is a necessary condition for overcoming stagnation and inflation in Brazil. The alternative would be an enormous reduction of internal consumption that is neither feasible nor desirable (see Bresser Pereira, 1988b). The ideological right, however, does not acknowledge these facts. Given that its major objective is to make Brazil a part of the First World, it rejects any type of confrontation with the bankers, fearing that the unilateral measures that Brazil

must take in order to negotiate a reduction in its external debt – a reduction based on the discount existing in the secondary financial market – will endanger the desired integration in the First World. What they do not understand is that this integration will not be achieved unless growth is resumed and price stability achieved. At this moment there is a basic inconsistency between the full payment of the interests on the debt and growth and price stability. Thus, a certain degree of confrontation with the banks is a necessary condition for a further integration of the Brazilian economy with international capitalist economic system.

ECONOMIC POLICIES FOR THE CONSOLIDATION OF DEMOCRACY

Authoritarians and conservatives in Latin America are today presenting Chile as an example of sound, rational economic policy. They have as arguments the very low levels of inflation and the positive growth rates since 1985. They do not mention that income per capita in Chile in the end of 1987 was 2.5 per cent below the 1980 level, that wages in 1987 were 6 per cent below the 1980 level (Piedra, 1988), they do not say that income concentration and poverty increased, they forget that the Chilean economy is being thoroughly denationalized as the local assets are being swapped by the external debt on unfavourable terms. In the words of Miguel Urbano Rodrigues (1988, 3), 'in the last 15 years there was no economic progress in Chile; instead the dictatorial regime promoted a savage redistribution of GDP'. Since the beginning of the authoritarian regime, per capita wheat consumption has fallen by 8 per cent, milk by 5 per cent, meat by 15 per cent, sugar by 8.3 per cent, and rice by 14 per cent.

At any rate, it is necessary to acknowledge that the recent favourable economic results in Chile, when compared with the crises of her democratic neighbours, particularly in Brazil and in Argentina, pose a basic threat to democracy in Latin America. In the present political campaign for the referendum in Chile the military regime shows television commercials portraying the economic and social problems in Brazil and Argentina, and asks if it is this type of democracy that the Chilean people desires.

John Sheahan (1986, 161) says that the distinctive economic policies of the authoritarian regimes in Latin America are reduced price controls, lower protection, serious efforts to limit budget

deficits, strict wage controls and highly favourable conditions for foreign investors. Sheahan is mixing discourse with effective action. Actually authoritarian regimes in Latin America do not adopt necessarily orthodox economic policies but certainly show a conservative rhetoric. Their discourse is invariably against state intervention and for fiscal austerity, but they are not always faithful to what they say. The excessive external indebtedness and the corresponding public deficits of the 1970s were the responsibility of authoritarian regimes in Brazil, Argentina, Chile and Peru. But Sheahan is correct when he worries about the survival of non-authoritarian governments in Latin America on account of irresponsible increases in the wage rate above the growth of per capita income, excessive protectionism, and an unduly restricted attitude to foreign investment.

Actually what is needed in Brazil or in Latin America for the consolidation of the democratic regime are economic policies conducive to growth, price stability and income distribution. What we are having today in Brazil, after democratization, is just the opposite: economic stagnation, very high rates of inflation and income concentration. In the first six months of the Sarney government we had a conservative economic policy; it did not work. Then, for almost two years, a moderate left economic policy which, after a correct diagnosis of inflation, led the country to a deep financial and economic crisis with the loss of control over the Cruzado Plan. Now, after the seven months and a half during which I was in charge of economic policy, we have had again, for the last nine months (I am writing in September 1988), conservative policies in action, in accordance with the ideologies and political practices of the moderate right; but the rate of inflation continues to rise, the rate of investment is very low, the economy remains stagnated, real wages are again being reduced.

The economic policies that are required in Brazil are not orthodox or heterodox, from the left or the right. These distinctions are of minor significance, given the seriousness of the present economic crisis. The fiscal crisis of the state, the external debt, inflation, the reduction of the rate of investment are problems of such dimension today in Brazil that it is not enough to criticize nationalism, protectionism, the refusal to adjust attitudes and the distributivism of the left, the populism and the clientelism of the opportunists, social conservatism, monetarism, the crude liberalism and the subordinated internationalism of the right. Besides coherent, rational and pragmatic economic policies, what is badly needed today in Brazil is

political courage and vision. Democracy is quite well established today in Brazil, but the continuous failure of the new democratic regime in solving some basic economic and social problems represents a political danger that should not be underestimated.

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