

Report from Rio by Lorenzo Carrasco

A new mercantilist era?

Finance Minister Funaro is accused of founding a "new economic theory," which is, in fact, the American System.

All evidence would suggest that the systematic attacks by the Brazilian media against Finance Minister Dilson Funaro have nothing to do with his presumed responsibility for the decision to declare a moratorium on the foreign debt. Viewed as much more serious is the very real possibility that Funaro is the head of an economic dirigist faction that seeks to guarantee constant rates of economic growth in the midst of economic warfare with the international financial system.

It is for this reason that some of the mouthpieces of Itamaraty (Brazil's foreign ministry), like William Waack of *Jornal do Brasil*, are furiously attacking Funaro for believing in the "illusory" and "ambitious" idea of "rapidly altering the basic rules of the international financial system." Waack suggests instead that Brazil take the path of "conciliation," meaning accepting the basic demands of the creditor banks.

Although Waack does not apparently question the moratorium decision, he does say that "Itamaraty, for example, arrived at paths as radical or more radical than that of the PMDB [ruling party—ed.] . . . [but] the difference is that the diplomats and specialists think of themselves as a delicate movement, made up of many parts, not easily led by someone impetuous and with a sense of mission."

Less diplomatic than William Waack is former Central Bank president under the Figueiredo government, ultra-monetarist Affonso Celso

Pastore, who on March 29 published an article in *O Estado de São Paulo* in which he does not hide his dismay at the possibility that "a new era of mercantilism," based on state direction of the economy, is emerging, which could fully destroy the doctrine of "economic equilibrium" from which monetarists of all stripes derive their sustenance.

With his usual cynicism, Pastore warns that the debt moratorium is the first sign of the birth of this "new economic theory"—which he sarcastically dubs "Funaronomics"—whose "scientific method will probably derive from negation of the philosophy of science of Karl Popper, due to the compromising links that science established with the neo-classic economic theory stained with the original sin of being complacent about recession . . . [which is] accepted as a natural fact of economic life."

The "new economic theory," warns Funaro, concentrates "its attention on the real problems of the economy. Thus its criticisms of neo-classic economics, particularly its two offspring, the monetarism of Friedman . . . [and that other] which establishes the primacy of speculation over production."

But what most worries Pastore is that Funaro's new economic ideas would abandon the concept of wealth elaborated by Adam Smith in his "re-creation to mercantilism." It was precisely the mercantilism of 17th-century Europe which was responsible for

the prosperity of Colbert's France, and later served as the backbone of the "American System" economics of Alexander Hamilton, Henry Carey, and company, the antithesis of the liberal British school of economics.

It was from the polemics of the German mercantilist economist Friedrich List against Adam Smith, and from the economic reforms of Abraham Lincoln, that a mercantilist faction among Brazilian industrialists was formed at the beginning of this century, later strengthened under the economic encouragement of the Getulio Vargas governments.

Although they are considered moderate, the measures announced April 2 by Minister Funaro before the PMDB congressmen nonetheless reveal precisely those qualities which are the source of such concern to the likes of Celso Pastore. There Funaro promised to invigorate the real economy over the existing financial speculation. "The point of departure," he explained, "is the necessity of guaranteeing a 7% growth rate yearly through 1991." We must commit ourselves not only to reduce the transfer of resources abroad, but also to "reduce the difference between real interest rates and those compatible with productive activity." Funaro described as "collective suicide" the current domestic interest rates in Brazil.

Funaro also announced that he would begin the construction of 250,000 homes for workers, and an investment plan in the public sector for nearly \$10 billion a year, giving priority to the electricity, steel, transport, grain storage, agriculture, and agro-industry sectors. With this program, Funaro won the unanimous support of the PMDB party, and of a nationalist faction within the Brazilian industrialists, support against which all of the major Brazilian dailies have been editorially railing.