
Book Reviews

Is there a Brazil that can say 'no'?

by Mark Sonnenblick

The "Japanese miracle" is of great interest to Third World leaders since Japan is one of the few non-white countries which has been able to escape from underdevelopment. The prevailing myth attributes Japan's progress to its being "opened up" to free trade and international capital. Barbosa Lima Sobrinho, a feisty 94-year-old institution known as "the dean of Brazilian journalists," refutes that myth in a book whose title translates into English as *Japan: Capital Is Made at Home* (the second edition of *Japão: O Capital Se Faz em Casa*, in Portuguese, was published in 1991 in Rio de Janeiro by Paz e Terra, 238 pages). He proves Japan rose to world power status thanks to economic policies modeled on Alexander Hamilton's "American System." He emphasizes that, since 1868, the Japanese state has made sure the credit system favored necessary industries, with ownership and markets protected from foreign onslaught.

These are crucial issues for Brazil. It, like all Third World countries, is being bludgeoned by Washington's "free traitors" to relinquish sovereign control over the economy. President Fernando Collor de Melo is paying debt by handing over to creditors the industries and natural resources developed by decades of state initiative. Collor, like all Latin American Presidents, is capitulating to international usury on the pretext there is no other way "to attract foreign investment." Barbosa Lima counters, "U.S. economic history shows that the USIS [U.S. Information Service] thesis" that foreign capital is vital, "is false and destined only to console foreign countries which put themselves under its tutelage."

In his new concluding chapter to the second edition, the Brazilian nationalist states, "When you have a debt which reaches \$100 billion and is subject to \$12 billion in interest payments, there is no way to hide from the question: wouldn't it be better if those \$12 billion each year were invested in economic development programs?"

When the first edition was published in 1974, a battle raged among Brazil's military elites over whether to leave the country's destiny to foreign banks and multinational com-

panies or to forge a powerful, state-led Brazilian industrial capitalism. The first edition sold out rapidly and became a rarity, even in second-hand stores; Barbosa Lima's cogent refutation of the "free enterprise" thesis is once again at the center of strategic debate over Brazil's path.

Not fooled by British

Although he researched the book mainly from western sources, Barbosa Lima avoids most of the pitfalls of British historiography. He reports that the late-nineteenth-century Japanese elites were shocked by the Opium War and Open Door Policy with which the British imperialists and their emulators bled China. "China's experience also became a Japanese experience, to serve as a warning to a people which, until then, had managed to live distanced from foreign influences and penetration."

Barbosa Lima reminds us, "Japan knows, and always knew, that the countries which developed, such as England, the United States, France, and Germany, relied upon capital formed at home." How did the Japanese learn the dirigist methods which had succeeded in other countries? The book does not say. But, in articles published in 1991, Barbosa Lima notes the Japanese still study "American System" economists Alexander Hamilton, Henry Carey, and Friedrich List who launched the industrialization of the United States and Germany. In the June 30 issue of *Jornal do Brasil*, he asserted, "*Laissez-faire* is nothing more than a prescription to captivate fools."

"Japan's economic development which began in 1868 with the Meiji period is development commanded and directed by the state, obedient to the guidelines set by it," he states in the book. He outlines the Meiji policies quite as they are set forth elsewhere in this issue.

Japan made its own capital. A national bank, created in 1872 on Hamilton's model, financed industry by issuing credit by fiat and by forcing samurais to use the pensions which had been granted them for productive investment. Thus, government obligations were transformed into capital. The 1873 harvest, for example, was divided with the government and the landowners each taking 34% and the sharecroppers 32%.

Barbosa Lima writes, "If we consider that the accumulation of savings resulted, in great part, from a financial policy organized by the state itself, through taxes on agriculture, to pull together resources which rather than be voluntary savings, were contributions created and imposed by the state, we would have to accept that Japan's high level of economic growth is due to one basic and essential factor: The state's action, exercised in the form of effective leadership in industrial modernization, acting as entrepreneur and as promoter, founded on the public credit and, in the initial phase, inflation itself, which only was restricted and controlled when the industrialization and modernization of the economy was already well under way."



Japanese intellectuals gathered for the 1872-73 Iwakura Mission which sent 40 Japanese leaders to the United States and Europe to study modern ways (see page 56). At left, Shigenobu Ōkuma, founder of Japan's first national bank; second left, Toshimichi Ōkubo, the "George Washington of Japan," leader of the Meiji Restoration and father of Japanese industry; center, Prince Iwakura, Japan's first prime minister and creator of Japan's modern compulsory free educational system.

Foreign banks' efforts contained

The Japanese authorities "undermined" foreign banks, Barbosa Lima reports. "The foreign banks were permitted and tolerated in Japan to the exact degree they favored the country's national interests, in foreign trade. . . . Foreign banks played no role in the country's economic development, which was entirely handed to Japanese banks, that is, banks dominated and controlled by Japanese capital, supervised by its authorities. . . . Even in that sector, the organic interpretation of Japanese economic development was preponderant. [Investment decisions] were not left dependent upon capricious and untimely and sometimes even contradictory and redundant individual initiatives, motivated merely by the spirit of profit and not by the necessity to complement a common task, stimulating sectors which had to be developed within the exigencies of a comprehensive plan."

When dealing with Japan's imperial and militaristic phases, Barbosa Lima notes, with the plainly expressed wisdom which fills the book, "In balance of power politics, victories only serve as fuses for new wars." While underplaying the British role in Japan's internal factionalization, he observes Japanese sphere of influence policies were "in accord with British interests."

Barbosa Lima ascribes the postwar "Japanese miracle" not to "the new shogun, Gen. Douglas MacArthur," but to clever Japanese resistance. Lacking the power to prohibit foreign capital, "the Japanese made use of their customary smile and traditional courtesy. . . . There was no way to avoid impositions, but the most important thing was to reduce them to a minimum, without losing the desire to recover whatever concessions had been forced upon them."

Thus, postwar Japan restrained multinational companies as much as it could. The government made sure Japanese

companies bought foreign know-how under the best possible conditions. Looking at the overwhelming protectionism cleverly applied by the Ministry of International Trade and Industry (MITI), he concludes, "Japan is a country in which the public sector makes itself the center of fundamental decisions."

Much of what Barbosa Lima generalizes from Japan's experience was crafted as a metaphor to apply to Brazil. For example: "An economic development policy which tries to exclude the presence of foreign capital in direct investments, which blocks immigration of [obsolete] factories and which disdains local businessmen-for-rent, could entail higher costs. But costs which are rapidly recovered, when industries founded with domestic savings or with national credit begin to produce ever greater savings."

Barbosa Lima focuses on the positive lessons to be learned from Japan. Unfortunately, he apparently did not have access to the Japanese Hamiltonians whose quotes, otherwise all but unavailable to western readers, appear in English in this issue. These sources are invaluable to understand the historic battle between Hamiltonians and British monetarists inside Japan, and to explain why Japan went through a "militarist phase," or why its relations today with Third World countries are so ambivalent. One is left perplexed at the irony of a country which has honorably won its own economic sovereignty denying it to others. During the debt crises of the 1980s, Japanese spokesmen repeatedly performed the Kissinger faction's dirty work of issuing Ibero-American countries crudely worded ultimatums to crawl before their foreign creditors.

A reader must ask, "What can be done to help Japanese—and Americans—allow others to apply the lesson of their own history: Capital is made at home"?