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*Brazilian Subimperialism*

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## BRAZILIAN SUBIMPERIALISM

BY RUY MAURO MARINI

Military dictatorship was a response to the economic crisis affecting the Brazilian economy between 1962 and 1967 and to the consequent intensification of the class struggle. But it was something more: it constituted the instrument and the result of a type of development which could be called state capitalist and subimperialist. In this perspective, it has been both the guarantee of capital accumulation based on the superexploitation of the working masses—urban as well as rural—and the expression of the hegemony conquered, thanks to the crisis, by the industrial monopolies and by national and international finance capital.

It is not possible to analyze here the economic process which was unleashed by the crisis of the sixties.\* What must be emphasized is that this seemed to be a realization crisis which presented the need for opening markets for the products of the durable-goods industries (consumer and capital goods), with the object of assuring investment opportunities for the interested monopolies and finance capitalists. At the same time, the development of these lines of production required a more intense capital accumulation, which made it necessary to suppress the

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\* On this subject see my book *Subdesarrollo y revolución* (Mexico: Siglo XXI, 1969); the chapter referring to subimperialism was originally published, under the title "Brazilian Interdependence and Imperialist Integration," in MONTHLY REVIEW (December 1965).

upsurge in demands on the part of the industrial proletariat and the rural masses, particularly strong since 1959.

Here we see why this military coup was different from previous ones, which had the purpose of breaking impasses in class relations, principally at the level of the dominant classes, and which subsequently permitted the bourgeoisie to take direct control of the state once again. In 1964, the situation was different: the military elite which led the coup not only intervened in the class struggle, but also presented a total economic-political scheme which put a definitive stamp of approval on the fusion of military and big capital interests. That scheme was subimperialism, *the form which dependent capitalism assumes upon reaching the stage of monopolies and finance capital.*

### Subimperialism

The problem of the market constitutes the axis of the subimperialist scheme. For the durable goods industry, the crisis of the sixties resulted from the impossibility of further expansion on the basis of an insufficient domestic market. This had caused the previous governments, especially that of João Goulart, to insist on the revitalization of the domestic market through the redistribution of income. The attempts at redistribution proved, however, to be a poor solution from the point of view of big capital, for two reasons:

(a) Redistribution (through wage increases, among other mechanisms) resulted principally in an increase in demand for non-durable goods, which big capital did not produce, or produced only on a small scale.

(b) Redistribution seriously affected the surplus value of medium and small enterprises, producers of non-durable goods, and hence further restricted their capacity for absorbing durable goods.

Thus we see that the lowest strata of the bourgeoisie which, in alliance with the popular sectors and principally with the organized working class, constituted the social base of the Goulart government contradictorily resented the policy of redistribution, while the upper bourgeoisie opposed it openly. As the demands of the masses sharpened, the petty and middle bourgeoisies saw their economic difficulties increasing. These

became insupportable at the moment when, yielding to the pressure of big capital, the government attempted to carry out a monetary stabilization (1963) and consequently restricted credit. With this, Goulart lost his bourgeois social base (and also his popular base, since stabilization has a negative effect on real wages) and pushed this social stratum into the arms of big capital. The altered balance of forces and the systematic opposition of the landed class to governmental reform created the conditions for the coup of April 1964, resulting in the military dictatorship of Marshal Humberto Castelo Branco.

The policies of Castelo Branco's technocratic-military team fundamentally responded to the interests of big capital. In general, they depended almost exclusively on increasing concentration of income and its productive sources, either through measures designed to reduce wages or through facilitating the more or less violent absorption of smaller enterprises by larger ones (credit, taxation, etc.). It is clear that the immediate effect was to worsen the domestic realization crisis, a fact which may seem paradoxical. Nevertheless, responding to the interests of big capital, the new regime presented a different solution to this crisis.

First, export of manufactured goods, durable as well as non-durable. Note that the expansion of exports requires the raising of the technological level, which in turn implies greater possibilities for the absorption of capital goods. Second, an increase in state expenditures through an active policy of developing the infrastructure of transportation and electrification and the re-equipping of the armed forces—all of this bringing about an expansion in the market for capital goods.

Up to this point the new economic model resembled that applied in the thirties by German Nazism. What was different was the role given to foreign capital. Providing the technology indispensable for the desired commercial expansion, imperialist monopolies also own the world market. Brazil did not have, in relative terms, the technological base of Germany of the thirties, nor could it, as did Germany, fight for the market by force. The solution which was found, appropriate to a dependent country in the process of converting its imperialism to subimperialism, was that of offering partnership to foreign monopolies

in the exploitation of the Brazilian worker and in the earnings derived from commercial expansion—that is to say, realizing that policy through an unrestricted alliance with foreign capital.

Imperialism accepted participation, but it imposed its own conditions. Big industry was denationalized; the exploitation of raw materials such as iron was monopolized; the plan to electrify received considerable contributions from the international finance agencies. From 1964 on, Brazil was well ahead in first place in Latin America in the programs of public and private investments under the auspices of the Alliance for Progress. However, foreign capital declined to promote the development of those sectors reserved for the advanced nations, such as the aeronautic industry. Furthermore, the North American government stymied Brazilian attempts to master nuclear technology.\* These attitudes provoked friction, which explains such things as the purchase of Mirages from France, and Brazil's refusal to sign the denuclearization agreement in Geneva. But this did not seriously compromise the model of association which had been adopted.

The growth of exports, from \$1.4 billion in 1963 to \$2.3 billion in 1969, was accomplished at the cost of domestic consumption. The most flagrant example is that of beef, 18,500 tons of which was exported in 1964, and 79,000 tons in 1969. This was owing to restriction on domestic consumption, brought about through an increase in prices (the domestic price of beef increased considerably even though the international price decreased, in the period under consideration, from \$613.07 dollars to \$549.90 per ton). The export of manufactured goods, in turn, which had brought in \$37 million in 1963, increased by 1964 to almost \$70 million, and reached close to \$400 million in 1970, thanks to government subsidies which permitted export at F.O.B. prices 50 percent lower than those on the domestic market.\*\*

The carrying out of this policy implied a reinforcing of

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\* On this last point, see my article, in collaboration with Olga Pellicer de Brody, "Militarismo y desnuclearización en América Latina," *Foro Internacional*, Mexico (July-September 1967).

\*\* On this subject, see Dimas Antonio de Moraes, "Incentivos fiscais para exportação de manufaturados," *Brazilian Business* (January 1971).

the tendency of Brazilian capitalism to monopoly, in order to create a production structure capable of competing in the international market. In addition to facilitating industrial denationalization, this led to the bankruptcy of small and medium enterprises, or to their absorption by big capital. Simultaneously, the development of finance capital, through finance companies and investment banks, with strong foreign participation, was creating an instrument capable of concentrating social capital in a few hands.

### The Vicissitudes of Subimperialism

After the recovery of the first six months of 1966, the growth rate of the Brazilian economy fell once again, reaching its lowest point in the first quarter of 1967. While several elements contributed to this, it is important to emphasize that it became clear that only long-range foreign commercial expansion could become an effective instrument of realization, and that the state could not in the meantime meet all the needs of industry without violently aggravating the inflationary process. Thus, toward the end of Castelo Branco's tenure, the plan began to undergo modifications through the granting of credit to enterprises, with the object of mitigating the effects of the depression. When Marshal Artur da Costa e Silva succeeded to the presidency in March 1967, this policy was accentuated and attempts were made to revitalize the domestic market by means of a more flexible wage policy.

The results of this were immediately felt. Not only did exports suffer but the domestic situation worsened. In fact the attempt to hold back the decline of real wages did not lead to the dynamization of the domestic market, but rather, in general terms, to greater demand for agricultural goods and industrial products of immediate consumption (clothing, etc.). This affected only minimally the durable-goods market, of interest to the monopoly sectors. On the other hand, as the increase in the rate of exploitation of the working masses slowed down, there was a reduction in the possibilities of transferring income to the upper strata—bourgeois and petty bourgeois—who constituted the source of demands for durable goods.

Thus it is no coincidence that, when the minimum real wage (which fell violently from 280 cruzeiros in 1965 to 195 in 1967) was relatively stabilized in 1968 at a slightly higher figure, the *average wage* (including the earnings of the petty bourgeoisie), which had risen considerably in 1967 to 466 cruzeiros, fell suddenly in 1968 to 401. The political consequences of this situation were also negative for the government: a radicalization of the petty bourgeoisie coincided with the mobilization of the workers to press their demands, while the sectors of the bourgeoisie which did not benefit from monopoly took advantage of the occasion to blackmail the dictatorship and wring concessions from it.

The answer was the hardening of the regime, through what can be considered a new coup d'état—the Institutional Act 5 of December 13, 1968, which suspended the Constitution, closed Congress, and castrated the judiciary. To this political answer corresponded, on the economic plane, the intensification of the exploitation of the workers, thus effecting a transfer of purchasing power (in the form of credit, subsidies, and salaries) to the middle and upper strata. The wage data for 1969 speak for themselves: the minimum salary fell to 189 cruzeiros, while the average rose to 470.\* The neutralization of broad sectors of the petty bourgeoisie and the adherence of others to the dictatorship came not only from fear, but also from bribery, a process in the objective interests of big capital.

With this the domestic market picked up, partly coinciding with the interests of the petty and middle bourgeoisies, but not in the least contrary to the interests of big capital. The dictatorship was thus able to conciliate the intra-bourgeois contradictions, a success which would soon be reflected in its political consolidation. The third military government, headed by General Emilio Garrastazu Médici, which came to power in October 1969, rested on a bourgeois coalition which was much more solid than the previous ones.

In the perspective of the subimperialist scheme, what

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\* The salary data are taken from *Visão* (May 25, 1970). The minimum is expressed in cruzeiros of May 1970, and the average in cruzeiros of February 1970.

emerges is thus the third leg on which subimperialism rests: the "consumer society," local style, created through a transference of income from the poorest strata to the middle and upper strata, in order to guarantee the market for a high-technology industry which is becoming more and more divorced from the real needs of the great masses. Brazilian capitalism is a monster, but a logical monster: if popular consumption does not provide a market for what the most dynamic sectors of industry produce, so much the worse for popular consumption; capital will continue to accumulate without it. The result of this is a functional specialization of the Brazilian economy which is so logical that it becomes absurd: on the one hand, the mass which produces surplus value and has essentially no access to consumption; on the other, the groups and strata which accumulate and/or consume surplus value. The divorce between the classes could not be more radical, and it reveals with absolute clarity the class base of the military dictatorship.

Just as the dictatorship broke with the myth of a redistribution of income which would reduce the social disparities within the system, so it also renounced a policy of agrarian reform which would reduce the inequalities existing in the countryside. Since 1964, under the pressure which the rise in agricultural prices exercised on the inflation rate, the government opted for containing prices by force, offering, at the same time, propitious conditions to the latifundistas for the exploitation of labor. The mechanization of agriculture, the extension of labor legislation to the countryside (which led to a reduction in the number of permanent employees on the latifundios) and the extension of the area devoted to cattle raising, all involved tearing the land away from the small producer (co-proprietor, *posseiro*, minifundista), thus turning him into a day laborer and incorporating him into the agricultural proletariat. In this way, the small producer not only lost the possibility of partially providing his own subsistence, but also (by virtue of the large increase in manpower which was created) saw the level of his remuneration fall even lower. The rural workers in increasing numbers could no longer even remain in the countryside: expelled from the land, they went to live on the periphery of the nearest urban centers, from where they were taken to farms by intermediaries,



thus creating a new field of activity for capital—the sale of labor power.

Brazilian capitalism is carrying out *its* agrarian reform, and it is not in the least idyllic. The accelerated extension of capitalist relations to the countryside has the same inhuman and brutal character which defined it in England in the sixteenth and seventeenth centuries, and more precisely in Tsarist Russia as described by Lenin.

### Perspectives of Subimperialism

There are many implications to be drawn from this analysis for the development of a revolutionary strategy corresponding to the reality of the class struggle in Brazil. But before attempting to extract them, we must first answer a key question: what is the middle-range viability of the economic and political scheme formulated by the military dictatorship? The theme is too vast to be well treated here, but let us formulate a few premises for such an analysis.

Everything indicates that, as the most recently developed aspect of the scheme, the transfer of purchasing power to certain strata, with the creation of a simulacrum of the “consumer society,” may well be also the most limited and the least stable aspect. A permanent rise in the incomes of the middle and upper strata is impracticable without breaking with the capitalist law of wages and without converting the subsidy into a counter-productive factor in capitalist terms. The numerical increase of these strata, above all of the salaried petty bourgeoisie, is a resource which will continue to be used by the system; but it is a relatively small factor compared to industry’s need for markets, and it is largely neutralized by the decline in purchasing power of the great masses. There remains the possibility of incorporating new strata into the “consumer society”—principally groups of workers employed in the sectors of high productivity. But this would unleash a general struggle on the part of the working mass, given the overall character of wage determination in Brazil,\* which in turn would threaten the foundation of the “consumer society”—the super-exploitation of labor which

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\* This is fundamentally due to the structure of Brazilian trade unions, which are organized vertically, according to branches of industry.

is the very pillar of the subimperialism scheme.

The foreign market is at the present time in a better situation. Nevertheless, it is necessary to consider that the expansion of exports is a long process, as even the military dictatorship itself has come finally to understand; and it is particularly difficult at a moment when the world capitalist economy is entering a phase of, at least, lesser dynamism, which means the sharpening of competition. Be that as it may, time is needed to make exports a solution to the realization problems presented by the system; and in the meantime this system will not only have to maintain and intensify the exploitation of the masses (with all the political implications that this carries with it), but will also have to have an escape valve to be able to fall back on.

This valve seems to be the third element of the subimperialist scheme, which we already mentioned: the state. Theoretically, the growth in the role of the state as promoter of the demand for durable goods is unlimited, as long as the political conditions in which the class struggle develops are not modified; that is to say, as long as the working masses do not react to the super-exploitation which they suffer. In practice, the state tends to increase military expenditures\*, the only effective means of wasteful consumption. This is the reason why the fusion of interests between the military elite and national and foreign capital is permanent and tends to create an increasingly mutual solidarity.

The militarization of Brazilian capitalism is neither accidental nor circumstantial. It is the necessary expression of the monstrous logic of the system, just as Nazism was for Germany of the thirties. And just as with Nazism, war must be the result. It is no accident that Castelo Branco attempted to invade Uruguay, wanted to intervene in the colonialist war being waged by Portugal in Africa, and even thought of sending troops to Viet-

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\* The Brazilian military budget in 1970 was on the order of \$700 million, that is to say, 17.3 percent of the total federal budget. If we add expenditures for the militarized police force, the figure reaches \$1 billion, equivalent to almost half the net income from exports in the year. This has impelled a noticeable increment in the production of armaments in the country, especially in the naval and aeronautic industries.

nam; that Costa e Silva wanted to invade Bolivia; and that the "gorilla" presently in office, General Garrastazu Médici, while continuing to threaten Uruguay, is now contriving a war against the "Red Pacific," particularly Chile, and was caught red-handed during the recent unsuccessful attempt at a military coup in Bolivia.\*

### Conclusions

The preceding analysis permits us to draw some conclusions which directly concern the strategy of the Brazilian revolutionary movement. In short, they are as follows:

(1) The decline of the petty-bourgeois movement, with the exception of some of its sectors least affected by the policy of bribery (the students, for example), tends to be permanent, as long as the working masses are not in a position to block the present transference of income.

(2) The system cannot expand this transference without falling into redistribution, which would impede its functioning; foreign-trade expansion represents a long-range solution; all of this brings about an increase in public spending, above all on the military, as the most viable middle-range solution available to the government. Nevertheless, this will only be effective if the working masses continue to tolerate unresistingly the super-exploitation which has been imposed upon them.

(3) Consequently, the mobilization and organization of the urban and rural workers, based on their demands, can immediately checkmate the economic and political schemes of the dictatorship and close all exits for capitalist development in Brazil. In this perspective the weak link in the Brazilian system is not the countryside, as has been said in an abstract and mechanical manner, but rather the urban and rural workers, especially the former, because of the greater potential impact of their struggle on the system.

(4) While the peasantry has not lost its importance for the Left, revolutionary action in the countryside will have to be determined by the increase in the rural proletariat and by its

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\* This was written before the successful coup in Bolivia of August 1971. (Ed.)

dynamic; living on the periphery of the provincial cities, this proletariat creates a link between the urban worker and the rural worker, based on the urban centers themselves. That is why the present discussion on the Left concerning the priority of the countryside or the city with regard to political work among the masses is Byzantine.

(5) The interventionist and bellicose tendency of Brazilian capitalism is moving in the direction of continental revolution, but not in the sense which has traditionally been given to the term—that is, struggle against an invader *in Brazil*—but rather, for the present at least, in the sense of a struggle against the actions of *the Brazilian army abroad*. This opens a new dimension of revolutionary work, or rather of revolutionary work abroad, tightly linked to revolutionary work within the country itself.

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The economy's doing fine, but the people are not.

Emilio Garrastuzu Médici, President  
of Brazil  
*New York Times*, December 8, 1971