

BRAZIL - The Global Power of Financial Capital, the Effects

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Giving sequence to previous articles [1], this time we will see part of the visible effects of the “landlord logic” in the country. Landlords are those who live on a fixed income, on dividends, on applications and not from their own work, even though exploiting the rest of the workforce. In Brazil, financial capital operates underneath the State budget, fixing the value of wealth and consuming the amount of taxes collected by the union.

The federal government gathers around 66% of the total earnings attained through taxes. This budget is shared through rubrics and diverse destinations from within the bowels of Brasilia. In this kafkaesque labyrinth, that is the federal financial piece, the states and townships receive little and the shipment almost always has to be accompanied by corrections and justifications in terms of protection. As the greater part of municipal administrations don't even have conditions to operate a protection office, this generates a parallel economy of services, where third party operators “offer and sell” their protection to the town governments as well as the constitutional amendment firms. Even so, the basic level of government (the 5564 municipalities) live in limousines and could receive more than double the take if there wasn't two barriers.

The first obstacle bleeds directly from the National Treasury. It would be simply revolutionary to start a fight with rental capitalism, where the payment of public debt consumes more than 42% of the federal budgets. In the forecast for 2014, this would implicate almost half of the 2.3 billion reais to be spent (or invested) by the Union this year. This debt burns four billion reais each day, the principal destination of which is the safe box of those who buy public titles, usually in banks of investments, including pensions. Only in the financial execution of 2014, according to the Citizen Debt Audit, the country spent more than 203 billion reais, around 65% of the federal costs until the second month of the year.

The second obstacle is the hated DRU (SRU - Severing of the Receipts of the Union), law that regularly takes away resources of public cleanliness, health, education and infrastructure for “contingencies”; most of the time this happens in favor of the financiers. The DRU was first provisional and created in 1994, with the justifications of trying to maintain macroeconomic stability. It has been extended, generally by consensus, in congress in the last 20 years. With the DRU, the executive branch can freely assign 20% of the annual budget, emptying the country's investment capacity, which doesn't doesn't pass a ridiculous 18% each year, compared to an average of 25% of the other members of BRICS (Brazil, Russia, India, China and South Africa).

Conclusion: If every solid comes undone in the air, it is because in the economy, somebody makes wealth evaporate and creates a salvageable number, in some fiscal paradise. Through the financial casino, the spoiling of the collective work—on the inside with signatures—is regulated.

The power of the banks in the Brazilian economy

Beyond the interests of the budget—with the capacity of financialization of taking almost half thereof—there is the presence of the banking sector upon the Brazilian economy. I emphasize that the critique is

presented upon the components of duration of the Fernando Henrique Cardoso era perpetuated in the Lula-Dilma period (initiated in 2003). I recognize that to the global boss of capitalism Brazil has rules relatively stiffer and a financial system comparatively more stable, but that is it. The dates of duration, in terms of bank earnings in 2013, are from the consultant Economática and were obtained from newspapers G1, Folha de São Paulo, and Estadão.

In first place was Banco do Brasil, with a net gain of 15.75 billion reais in 2013. Following it was Itaú-Unibanco with a net gain of 15.6 billion, above the previous year's earnings of 13.5 billion. In third is Bradesco, with a net of 12.01 billion in 2013, with 11.38 billion earned the year prior.

The fourth was Santander Brasil, which represents something quite significant on a global scale. In 2013 the Spanish bank closed with 5.7 billion reais, a fall considering the 6.3 gained in 2012. Even with consecutive drops of 5%, Santander recognizes that the 47% of its global net of 4.37 billion euros— 90% more than in 2012—comes from Latin America, 23% of that from Brazil. Europe represents only 43% of their total, with 7% in Spain, 17% in the UK. The US comes in at 10% of the net gain.

Because of this there is always a beginning to the fall of the basic rate of interest, someone of trust appears at the bank, a regular or a special consultant, and the specialist talks of risk of inflation. The rate Selic implies the marker is almost a fourth of the bank's net on a global scale. From the example of Santander we can take other grand banks in the country and we see, proportionally, astronomical rates of profit.

But there's more. Santander occupies the 8th position in rankings of accumulated power, measured by the project Owners of Brazil (proprietariosdobrasil.org). In this same index, Bradesco is in 4th and Itaú in 19th. On that same list consist the pension funds of state businesses, with a highlight to PREVÍ (Banco do Brasil) in 2nd place. This funds are the fundamental element, together with the National Bank of Economic and Social Development (BNDES) and the state banks, to the federal policies of investment.

It's enough to remake a joke—fictional or not—native to the times of the Wall Street fever (New York Stock Exchange) when a visitor observed the yachts of each business' majority shareholders anchored on the marinas along the Hudson river. The observer said: "Interesting, but I prefer to see the yachts of the common and current investors." The same applies to the financial health of the common Brazilian. When one record after another is broken, the concentrated banking market reflects the volume of the resource transfers to loaners/holders and not to the account holders and frugal savers.

Source (Spanish): [Barómetro Internacional](#).

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Footnotes

[1] These articles haven't been translated.