

Report from Rio by Lorenzo Carrasco

'Power nucleus' tries monetarist coup

While Congress and the President are immobilized by corruption scandals, the finance minister makes his move.

In what might be his last chance to comply with the monetarist guidelines demanded by the international financial interests to which he is linked, Finance Minister Fernando Henrique Cardoso has pulled out of his sleeve a proposal to create a "power nucleus" of close collaborators and cothinkers inside the cabinet of President Itamar Franco. In this effort, Cardoso is backed by the International Monetary Fund's Managing Director Michel Camdessus, who, according to the Nov. 4 *Jornal do Brasil*, says he is "perplexed by Cardoso's slowness" in implementing the austerity measures that the fund demands.

The crypto-Marxist sociologist Cardoso is attempting to create a "crisis cabinet" which will supplant the power of President Franco as well as that of the National Congress, currently immobilized by the investigation into the gigantic corruption scheme orchestrated by the country's political parties in order to obtain funds from the federal budget. Franco's indecisiveness has been an obstacle to the full implementation of monetarist policy, particularly as regards the privatization of strategic sectors of the economy.

If Cardoso's plan is successful, he will reinforce his control over the weak Franco, and reduce him to simply approving presidential decrees. During his last visit to Washington, Cardoso promised Camdessus and company that the Brazilian government would adopt a series of "infraconstitutional" measures to ensure implementation of the bank-

ing community's policies should the Congress interrupt the process of revising the Constitution. Foreign creditors have long demanded constitutional reform in order to remove all dirigist elements that hinder their operations in Brazil; but that process has been suspended as a result of the corruption scandal.

Through his "power nucleus," Cardoso would have the freedom to impose by decree the Anglo-American establishment's monetary reforms already far advanced in Mexico and Argentina. These include:

- Dollarizing the Brazilian economy. Using the dollar as the foundation for the national currency, which would become like the worthless currencies which circulated in the colonies of the British Empire. The idea is to eliminate the government's ability to generate productive credit, making this the prerogative of the U.S. Federal Reserve and a handful of international bankers.

- Accelerating the privatization process, opening up the strategic sectors of energy, telecommunications, and transportation, while at the same time permitting the indiscriminate entry of speculative capital to buy up remaining real assets. The government has already begun to operate under this new power scheme by decreeing *without congressional approval* that foreign capital can purchase 100% of privatized companies.

- A fiscal reform which will reduce the funds available to states and municipalities, concentrating them in-

stead in the federal government to ensure debt payment. This would be accompanied by draconian budget cuts which Cardoso's economics team estimates would be deflationary.

All of this boils down to an attempt to carry out a monetarist coup inside the Brazilian cabinet, which would be greeted with applause from western political leaders and financial speculators. Cardoso is coordinating his maneuvers with the political leadership of his own party, the Brazilian Social Democratic Party (PSDB). This is seen in the column written by the Club of Rome-linked sociologist, Helio Jaguaribe, in the Nov. 5 *Jornal do Brasil*. Jaguaribe revealed that Cardoso is holding his plan to establish a "power nucleus" over President Franco's head with the threat that were Cardoso to resign, this would remove the last pillars of support from the Franco government and unleash an apocalyptic crisis.

Fernando Henrique Cardoso hopes to succeed in this where similar attempts in the government of President Fernando Collor de Mello failed. Under Collor de Mello, the plan was to create a "group of notables" with broad powers to impose by fiat the policies dictated from Washington; but a large part of the country resisted, and continues to resist these policies. It should be recalled that Cardoso himself was asked to become foreign minister at that time.

The irony is that this was the Collor de Mello government's last maneuver prior to the impeachment process which removed Collor from office in December 1992 and virtually expelled from public life all the "notables," including Helio Jaguaribe, who occupied the Science and Technology seat in the "notables' cabinet." The gravity of the current institutional crisis, with a paralyzed Congress, could cause history to repeat itself.