

of Montreal. Sources here report that the state government, led by the populist nationalist Leonel Brizola, will follow Haddad's precedent.

The key question is who—or what—else might also follow the lead of the Haddad administration. In an interview with *EIR*, Armando Aoad and Rio Planning Secretary Samir Haddad (the mayor's brother) indicated they were aware of parallels between their own demands that debt meet socially useful goals, and the ruling in Argentina that threw central bank president González del Solar in jail only two days before. "It's too bad we don't have a law like 4230 regulating the federal government," Haddad chuckled.

According to official budget records provided to *EIR* by Aoad, the growth of the city's foreign debt has outstripped local revenues by a ratio of 50 to 3, since the Bank of Montreal loan was signed in 1979. City income for the current month of October will be 17 billion cruzeiros. Of that, Aoad explained, 15 billion will pay the city's wage bill, 1.5 billion goes for school and hospital food programs, and the remaining 0.5 billion will barely provide gasoline for the city's fleet of garbage trucks.

"As you can see," he said, "we can't pay."

October 21 will thus mark the first default by a municipal government in the city's 418 years' history.

The municipality's declaration of nonrecognition of the loan intersects what is already an extremely tense situation in Brasilia over the issue of the country's \$90 billion foreign debt. A special congressional inquiry panel has been holding closed hearings on the debt, and reliable sources indicate that recent signs of tension within senior military ranks are due to questions being raised by the commission. Gen. Newton Couz, the recently appointed commander of the military region that includes the capital, called an officers' staff meeting at his headquarters last week to denounce all military personnel who provide testimony to the commission as "misfits" and "incompetents." The declaration provoked a young captain to stand up and defend the honor of his father, General Leo Etchegoyen, who had earlier testified relating to charges of personal corruption against Delfim Netto, Brazil's planning minister and the country's strongest defender of IMF policies. General Cruz responded by jailing both Etchegoyens, father and son.

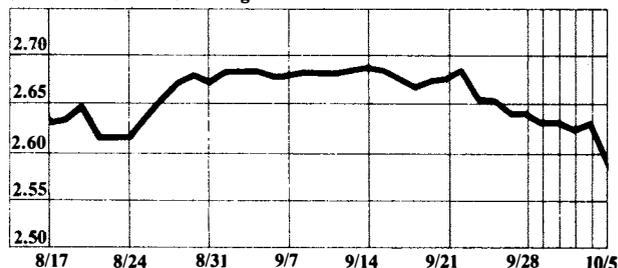
It will not be that simple to contain Brazilian nationalism. At the same congressional hearings, the central bank's foreign area director, José Madeira Serrano, reportedly shocked listeners by calmly suggesting Brazil might join a debtors' cartel. According to the Oct. 6 *Jornal do Brasil*, Madeira Serrano said, "There is already a mobilization for negotiations in common and we are obliged to move towards the formation of a debtors' club for more harmony in debt negotiations, stronger bargaining power, and more reciprocal knowledge."

"We have no aversion to a debtors' club, only practical difficulties," he is said to have concluded.

Currency Rates

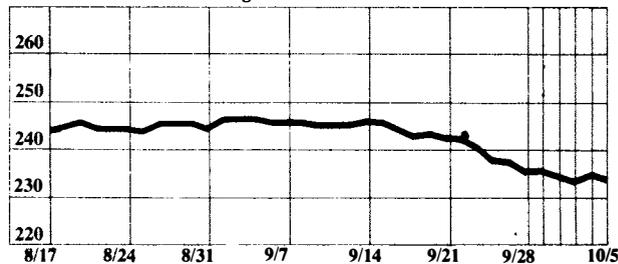
The dollar in deutschemarks

New York late afternoon fixing



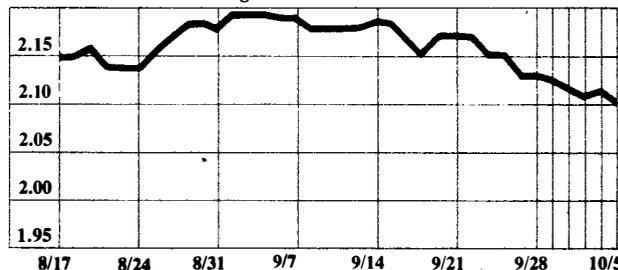
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing

