Wild card in the debtors' deck?

A Constitutional Assembly holds President Sarney—and the IMF—in check.

Brazil has entered "an eight-month-long constitutional vacuum" which President José Sarney will find it next to impossible to impose the kind of radical austerity policies which the International Monetary Fund (IMF) and the international banks are demanding, London's *Financial Times* griped on Feb. 2. The day before, amid great pomp and seriousness, 559 constitutional delegates began writing the eighth constitution since its emperor declared Brazil independent in 1822.

The Constituent Assembly has power "to do everything but turn women into men," one Brazilian wag joked. While it is not yet clear whether it can fire Sarney or his cabinet members, it knows it has the power to decide when his term will end. The *Financial Times* mourns, "It could overrule any decree or law that President Sarney might employ to adjust the economy."

The Constituent Assembly is chaired by a man who wants to replace Sarney in the presidency as soon as possible. He is Ulysses Guimarães, the veteran chief of the Brazilian Democratic Movement Party (PMDB), upon which Sarney's government rests. He was reelected president of the Chamber of Deputies, the man who takes over the presidency when Sarney leaves the country or steps down. In that contest, he easily defeated leftist PMDB deputy Fernando Lyra. This column exposed Lyra, when he was justice minister in 1985, as the most shameless protector of those who made Brazil into a major narcotics route. Readers should not be surprised that Rio's Social Democratic ex-governor Leonel Brizola, another politico who pacts with the narcos, supported Lyra's candidacy, as did Brazil's creditors. They lost by a 299-155 vote.

Thus, Guimarães and his PMDB are now strong enough to prevent Sarney from repeating what he did in 1983, when he served the IMF and the military dictatorship by ramming a 20% cut in real wages down the throat of the Senate.

Sarney is foundering. The Brazilian central bank told creditors that it expects to pay out $14.4 billion on service payments this year for debt interest and principal, profit remittances, repatriation of foreign capital, tourism, etc. Brazil also has to repay the IMF $980 million for its past "assistance." The central bank calculates that it could only pay if Brazil ran a $10.2 billion trade surplus and received $4.1 billion in new loans. Brazil's creditors will not grant new loans without savage cuts in domestic consumption and government spending. And even that might not yield a big trade surplus amidst a world trade collapse.

"The political situation in Brazil precludes adequate economic steps," brays Sally Shelton-Colby (the wife of the former CIA chief), a crystal-ball gazer for Bankers' Trust. She suddenly began auguring that Brazil will provide bankers with a big crisis. She might be right.

Sarney, caught between the bankers and politicians currently representing popular desires for prosperity, has stopped governing. All he has done is let interest rates soar to above 370%, with prices following close behind.

On Jan. 21, the "Paris Club" of creditor governments and the World Bank, conceded that Sarney could, without signing with the IMF, stretch out principal payments due them, *if* he did what the IMF wanted anyway. In one of its typically hysterical editorials, the *New York Times* opined Feb. 3 that those loving efforts to help Brazil "may all turn into a loss unless the Sarney government now translates its remaining political strength into lasting structural reforms."

Although none of the financier organs have yet admitted it, usury's nemesis in Brazil is Pope John Paul II. "The Vatican Condemns IMF Policies" read the banner headline of the liberal Rio de Janeiro daily *Jornal do Brasil* on Jan. 28, the day after the Pontifical Commission on Justice and Peace issued its document, "An Ethical Vision of the International Debt." The *Jornal*'s story pointedly lied in saying that the Vatican attacked the debt policies of Peru's Alan García. Two days later, *Jornal* ran an editorial worrying that Brazil, the second-largest debtor in the world after the United States, and the country with the largest number of people who call themselves Catholics, might subject the servicing of its $110 billion debt to the constraints of morality.

Although Brazil's mass media is run by gnostic enemies of Christianity, the moral persuasion of the Church is considerable. It expresses itself politically through several of the newly-elected PMDB governors, including Walter Pires of Bahia, who insist that Brazil's only solution is to follow Peru's path.

That might well come to pass, if Brazil's Christians are not smitten by AIDS-bearing barbarians during the late-February Carnival.