

Report from Rio by Silvia Palacios

Cardoso, the 'dollar' minister

The Inter-American Dialogue's presidential takeover bid advances in Brazil through new dollarization scenario.

The recent announcement of the so-called URV—or as it has been popularly dubbed “United We Rob You” (*Unidos Robaremos Voce*), on the model of that already applied in Argentina—has the dual purpose of dollarizing the economy and launching the presidential candidacy of Finance Minister Fernando Henrique Cardoso. Cardoso is a longtime favorite of the Anglo-American establishment, as indicated by his membership in the Inter-American Dialogue.

Cardoso's new currency, the URV, is supposed to at last provide a universal value reference for a country which lives in an environment thick with indexation “indicators,” a policy imposed 20 years ago by the arch-monetarist minister Antônio Delfim Netto. Once accepted, the URV will lead to the dollarization of the economy, by means of its one-to-one correspondence to the dollar.

This dollarization mechanism is a variation of the old model of the gold standard, in which each monetary unit in circulation had to be backed by its equivalent value in gold; only in this case, it would be backed by the dollar, thus handing control over Brazilian credit policy to the U.S. Federal Reserve Board. This same strategy is being applied de facto across Ibero-America, as part of the financial agreements stipulated by the North American Free Trade Agreement (NAFTA) and its regional offshoots.

For now, the URV translates into little more than a wage freeze, given that the established standard ignores the accumulated wage losses of inflation that the country has experienced

during Finance Minister Cardoso's reign, during which inflation has gone from 20% a month to nearly 40% today. According to Brazil's Department of Labor Statistics, the wage calculation that went into defining the URV will cause a 25-30% real loss in wages.

Of course, the precondition for this new free trade mechanism, which was conceived by that gaggle of technocrats who purport to guide the destinies of Brazil's economy, is the savage 20% cutback in the already meager federal budget, a cutback cynically dubbed the Social Fund. Cruellest of all is that the areas most affected by the budget cutbacks will in fact be health and education. These two measures augur enormous discontent within the population, and could feed into a mass strike wave.

This policy of “gradual” austerity has the full support of the international banking creditors, who share the opinion that the shock program they would really like to apply is, for the moment, an impossibility, given the approaching presidential elections; violent social reaction would virtually guarantee a military intervention.

Despite Cardoso's best efforts to give his measures a national flavor, the stink of international diktats is unmistakable. In late February, even Brazil's bankers ridiculed Cardoso by ordering the printing of imitation dollars with the minister's face on them.

Nonetheless, bankers' support for both for the draconian measures and for Cardoso's presidential aspirations has already been transmitted by former minister Mario Henrique Si-

mensen, a member of Citibank's international advisory board. After a meeting with Cardoso, Simonsen became a virtual spokesman for the URV; in an interview with the daily *O Estado de São Paulo* published Feb. 13, Simonsen said that Cardoso's measures “are the best alternative.”

Companies such as Nomura Securities immediately dubbed Cardoso the ideal presidential candidate, and Salomon Brothers expressed optimism over the congressional approval of the so-called Social Fund.

Cardoso and his team hope to squeeze out even more international support, with its sequel of financial commitments, in the upcoming torturous negotiations with the International Monetary Fund. At the same time, there are reports that some White House advisers are growing enthusiastic over the potential for a Cardoso presidency in Brazil, as part of their new continental strategy.

O Estado recently commented that Clinton advisers already have a draft scenario in which Fernando Henrique Cardoso becomes President of Brazil and “democratization” is consolidated in Mexico, presumably through granting political legitimacy to the Zapatista National Liberation Army.

The most significant Anglo-American support for Cardoso's presidential bid is the blessing he has already received from the Inter-American Dialogue. In a Dialogue seminar held the first week of March, “Brazilianist” Albert Fishlow, a good friend of Cardoso, declared, “the new stabilization plan will likely be a success,” and could put Cardoso in the presidency.

It would thus appear that the Dialogue, ever ready to control all the options, has two candidates for Brazil's highest office: Fernando Henrique Cardoso and its other member, the Workers Party's Luis Inacio “Lula” da Silva.