

# Brazil's Congressman Dr. Enéas Speaks Out

by Dennis Small

In June 2002, Lyndon LaRouche visited Brazil for a week, holding public and private meetings where he emphasized the fragility of the global financial system and the implications for Brazil. As the newspaper *Monitor Mercantil* reported on the front page of its June 17, 2002 edition, LaRouche underscored the urgency of immediate action, because the crisis “could explode in Brazil as early as the first quarter of 2003,” since “nearly 30% of Brazil’s public debt is made up of bonds indexed to exchange rate fluctuations,” i.e., to the U.S. dollar.

The Brazilian government paid out staggering amounts on its public debt in 2003. Despite the generation of a Primary Budget Surplus of over 66 billion reais, the government had to make interest payments of more than *double* that amount: 145 billion reais (nearly 50 billion dollars). That was 40% of the entire government budget, and a full 10% of the country’s GDP!

Once in office, the government of Luis Lula da Silva deep-sixed its anti-IMF electoral rhetoric of 2002, and used its popularity to impose austerity policies so draconian, that Wall Street cheered. Its primary budget surplus was 4.38%, even higher than the IMF’s demand, achieved with brutal cuts in expenditures on infrastructure, health, education, scientific and technological development, the space program, military and security forces, etc.

And yet despite this bloodletting, the total public debt grew from 881 to 913 billion reais over the course of 2003. As a percentage of GDP, the public debt grew from 55.5% in 2002, to 58.2% in 2003. This is the highest level in the modern history of Brazil; it is a near doubling from the level of 30% it was at about a decade ago, in 1994.

As the staid daily *O Estado de Sao Paulo* recognized in shock, in a banner headline across its economics page on Jan. 31: “Record Surplus Is Insufficient to Pay Interest.”

On cue, Brazil’s Country Risk rating rose from under 400, to 570 points in the last three weeks—a clear threat of worse to come, if the government doesn’t perform as demanded by its creditors.

## Anti-IMF Congressman Targetted

LaRouche was invited to Brazil in 2002 by Dr. Enéas Carneiro, a prominent cardiologist and the head of the PRONA party (see interview below), whose associates in the São Paulo City Council formally made LaRouche an “Honorary Citizen” of São Paulo. Dr. Enéas praised LaRouche’s work: “What most impresses me about Mr. LaRouche is his

concern for social questions, poverty, and the destiny of humanity. Mr. LaRouche defends, in the United States and the world, the same ideas which we, in PRONA, defend here in Brazil. . . . Thank you very much, Mr. LaRouche, for your presence here in Brazil, and for all that you represent for all mankind.”

In October 2002, Dr. Enéas was elected to the Brazilian Congress with the largest Congressional vote total in Brazil’s history—some 1,570,000 votes. According to Brazilian electoral regulations, that vote was enough to place not only Dr. Enéas in office, but also five other members of his PRONA party.

Even before the new Congress was seated, in February 2003, all hell broke loose against Dr. Enéas, whose ideas were clearly considered dangerous by the international financial oligarchy and their representatives in Brazil. Slanders against him were published in many international and Brazilian publications, and a corruption scandal was orchestrated against PRONA, with threats of legal action against Dr. Enéas and his associates. None of these accusations ever prospered; but the bankers had delivered their message.

Dr. Enéas was not impressed. In his first speech before Congress, he called on newly elected President Luiz Inacio Lula da Silva to act on the crisis: “Fabulous fortunes on the order of 1 to 2 trillion dollars circulate daily from one point of the planet to another, by means of computer pulses. Of these, barely some 2-3% correspond to commercial transactions. The rest are *pure speculation*, with no correspondence with the physical world, as has been pointed out by the renowned American economist and thinker Mr. LaRouche, in the weekly *Executive Intelligence Review*. . . . Your Excellency has in your hands an opportunity without equal in the history of Brazil. . . . *Order* that, by unilateral rupture, no



*Brazil’s President Lula da Silva: What more can he cut? Draconian measures to produce an unprecedented “primary budget surplus” for international debt payments, have not even made a dent on the interest, while the principal has kept growing usuriously.*

more interest payments will be made on the Public Debt, the which reached 114 billion reals in 2002. This must be done, and it is almost already too late, because the total Public Debt, including both domestic and foreign, grows like a malignant tumor, and has already passed the astonishing level of 1 trillion reals. . . . Your Excellency will be followed by all the Brazilians who lifted you into your current position.”

Over subsequent months, the media blacked out Dr. Enéas’ speeches from the floor of Congress, despite their significance. And four of the five congressmen elected as part of the PRONA slate were pulled away—“co-opted by the Executive branch.”

He nonetheless maintained his attacks on the International Monetary Fund system. On Feb. 18, 2003, he stated that Brazil’s indebtedness “is the central question from which all others flow. And on Aug. 21, 2003, he asserted that “the only solution is a rupture with the international financial system, but not a trade rupture. What I am proposing is a rupture with the IMF, with the World Bank. . . . Rupture! For that, you have to have courage. Courage which His Excellency, the President of the Republic, has not had. Only in that way can we think of being a free and sovereign nation, that can portend a better future for our children.”

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## Interview: Enéas Carneiro

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# LaRouche’s New Bretton Woods Is ‘Sensational’

*Dr. Enéas Carneiro, a Federal deputy in Brazil for the PRONA party, granted the following telephone interview to Dennis Small—Ibero-American editor for EIR— on Feb. 9, 2004.*

**EIR:** Dr. Enéas, what’s happening today in Brazil?

**Enéas:** The Executive branch has monolithic control over Congress. This means that all the measures that the government, the Executive, wants to implement, they get, because they have an absolute majority in the Congress.

This is what happened with social security reform, which worsened the crisis, by taking resources back from the retirees, from people who had already paid into the system for their entire lives, and who now have to continue to pay. And by taking a series of measures that seek—or rather sought, because they have already been approved—to fill the coffers.

The truth is, that the social security reform did not reform anything; it was done to pit the population against a small number of individuals, public officials who have generally

very high salaries. Using that fact, they carried out a bigger operation, to take away money and rights which the retirees had won. The number of years required [to get a pension] increased—the average length of contribution [to the system]—and on top of this, they imposed taxes on these earnings. In other words, the social security reform didn’t reform anything: it merely got more resources for the Treasury, so that they could make the interest payments on the public debt. The so-called real interest rates [in Brazil] are already the highest in the world—not the nominal rates, but the real interest rates. That is the “first reform.”

The second reform, the tax reform, was worse still. Because the tax reform increased the tax burden. On balance, it significantly increased taxes.

If we look at the picture in 2002 and in 2003—there is a graph that I did—one can clearly see the wage share of national income had been falling since 1964, when the military coup took place, when that percentage was on the order of 62.5% of national income. At the close of 2002, when the Fernando Henrique Cardoso government ended, that percentage was 36.2%. A substantial drop in those 38 years! And now, in the first year of the Lula government, the curve is dropping even more sharply, because we have fallen from 36.2% to 31.5%. That is, we have fallen nearly five percentage points in one year of government.

Why? How does one explain this?

Because the tax burden on businesses is growing, and they are cutting back on wage increases. The pie stays the same size. If they have to pay more taxes, wages are necessarily going to shrink. So the government that we have now, at least in this regard, is worse than the preceding ones.

Some would argue: “But before, they carried out privatizations.” Yes; but we don’t know what this government would have done, had we had it earlier. It might have been even worse.

So, that’s the second scenario.

Also, with regard to the tax reform, taxes were added onto practically every kind of operation. This yielded gigantic revenues of more than 80 billion reals; and that, with a single increase from 3 and a fraction, to 7%. Some of the megacompanies, the big companies, benefitted from this, but the medium and small companies all suffered, with their tax burden rising once again.

In addition to this, Congress approved the disarmament statute. By decree, the civilian population had to give up its weapons. Now, if you are stopped on the street and found with a weapon, you have committed a crime for which there is no bail. But the weapons of the marginalized, of the criminals, are not registered. And despite all the efforts of a small group of Congressmen who wanted to stop it, the statute was approved in its entirety.

Also, our situation—from the standpoint of Congressional action—is very sad, because the executive took several Congressmen from me. I had with me, as you will recall, five



*Congressman Dr. Enéas Carneiro with Lyndon LaRouche in São Paulo's City Council in 2002. "At the moment that Brazil, being the power that it is, a de facto continental power . . . issues its cry of independence, it will be instantly followed. And then it will be much easier, even to bring about negotiations for a New Bretton Woods, which is Mr. LaRouche's idea."*

Congressmen, who came in with my vote—I had 1,570,000 votes.

**EIR:** Yes, I remember. The highest vote for a Federal Congressman in the history of Brazil.

**Enéas:** In the history of Brazil. And that brought in five other Congressmen with me. Of those five, four have left my party, co-opted by the government. They are not in the government party, the PT, but they are in other parties that are part of the government coalition. That is, in plain language, they were co-opted by the Executive branch.

**EIR:** It is clear that there is a certain fear over the message that you have brought to the Congress. You are known throughout Brazil for your famous phrase during your first Presidential campaign: "My name is Enéas." But there is an-

other expression, which is almost as well-known, which people identify with you: "Rupture, now!" Why do you say that a rupture with the International Monetary Fund system is necessary?

**Enéas:** I have said—and I know you have heard me say this on several occasions—that I see no way out under the current model. Let's look at the government's official figures.

According to the official numbers for 2003, government spending averaged some 12.5 billion reais a month [on interest payments], which comes to about 150 billion reais a year. That is nearly half the Federal budget. That is absurd; it is unthinkable. There will be no money left for *anything*—not for public schools, hospitals. So, there is no way out.

And there is no end to these interest payments. After paying all that interest, one need only look at the public debt, which kept growing, under the government of Mr. Luiz Inacio Lula da Silva. The publicly-held domestic debt, alone, which are the bonds held by the market, which they say are held by the public, totalled 50 billion reais when Fernando Henrique Cardoso took office in 1994. When he left office in 2002, it was a little over 700 billion.

So, the interest is paid, and the debt increases, because it is impossible to pay all the interest, and a part is of it transformed again into increases in the debt.

**EIR:** It is what we at *EIR* have called "bankers' arithmetic:" The more you pay, the more you owe.

**Enéas:** Right, the more you owe. And there is no end in sight. I was at a conference today, which was not political, but a science conference at a university, about some scientific ideas. But when I left, I spoke with the directors and the deans about political and military issues. I showed them that there is no way out. Crime is brutally rising, unemployment—Let's look at this, another terrible index.

The government says official unemployment is 12.3% of the Economically Active Population (EAP). These are current figures, which calculate the EAP at around 80 million people, out of a total population of 170 million. 12.3% of 80 million is more or less 10 million unemployed. That is a frightening number. But even that number is presented parsimoniously. Why? Because it not true. One must note that the IBGE—the agency which issues the official statistics of 12.3%—when it does its field census, only considers as unemployed those people who have been looking for a job in the past 30 days. But many people, after being unable to find a job, stop looking. So they no longer appear as unemployed.

**EIR:** Exactly. That's a statistical trick that is used in many countries, including in the United States as well.

**Enéas:** Isn't that the truth? And so, that way, unemployment is minimized. Real joblessness—I have a serious, careful study of this—I can prove that real unemployment is 25% of the EAP. That is, one out of every four people in the EAP are unemployed. It is the rare family where no one is unem-

ployed—whether the family is middle class, lower middle class, or poor. It is a truly distressing situation. There is desperation.

And now, when the pensioners, in just a few months, begin to have 11% deducted from their benefits—the pensioners!—begin to pay taxes, since the retiree helps out the young people who are unemployed in the family—they always help—then things are going to get worse. It seems to me that the government is now starting to deteriorate, despite all the optimistic speeches by Brazilian officials, speeches which are no different from those in other countries.

**EIR:** Yes, there is a lot of concern behind the smiles, not only in Brazil, but in many other places.

Dr. Enéas, in mid-2002, you invited Lyndon LaRouche to São Paulo, Brazil, so that the City Council there could make him an honorary citizen of São Paulo, and so that he could speak about his solutions and his proposal for a New Bretton Woods—which also involves breaking with the IMF. What do you think of those ideas that LaRouche raised, and the alternatives available to the world at this time?

**Enéas:** The idea is excellent—the idea that all countries should sit down at the table, led by some countries, such as Russia, and reach a healthy consensus, a formula for healthy coexistence, with a new currency, given the bankruptcy of the dollar standard. One could say that this is a lovely idea.

Now, regarding the feasibility of bringing it about, that is where I have doubts. Because, you gave me new information today, where you said that bankers, individuals at high-levels of finance, are beginning to admit that the crisis is already here, but they do not accept LaRouche's solution. Isn't that so? They accept the diagnosis, but not the cure. Isn't that what you just told me?

**EIR:** Right, that's what they are thinking now.

**Enéas:** So, my thesis is this: the diagnosis is already *virtually* undeniable. But they don't want to lose. The moment there is motion towards a new system that would put the international economy on its feet, and allow countries with great labor potential, a large labor force like ours and others, to participate equally—to the extent this were accepted, it would be beautiful. I have my doubts that this will come to be accepted.

That is why I propose a rupture, not just with the IMF, but also with the World Bank. Look how the World Bank, over the last five years, for every dollar that they placed here, got 1.4 dollars back. What interest do we have in such "help" from these organizations, to which we already owe so much? The truth is that they don't give any help at all.

So that is why I propose rupture: because of that. We will face a period of difficulties, a period in which we would not be able to import computer chips, perhaps; but we have our own quartz. It would be a difficult period, but there would be light at the end of the tunnel.

Mr. LaRouche's idea is sensational. I don't know if it is

feasible. You know the international picture better than I. I don't know. I see how, from a theoretical standpoint, it is the best way, what should be done.

**EIR:** Fortunately, there are people in several countries who understand that that is the only solution, and recognize as well what you say: There are difficulties when there is a break with the IMF, but if there is not a break, the situation is even worse. In the case of Argentina, for example, if they break with the IMF, there could be a seizure of some Argentine assets abroad; but if they *don't* break with the IMF, the whole country is going to be embargoed.

**Enéas:** Well, there is a popular saying: "If you stand still, the bugs will eat you; if you run, the bugs will bite you." Well, we are now in a situation where the victim is going to be assassinated, and has to choose: with one bullet, or two.

Because the situation is really distressing. With every year that goes by, with every month that passes, things are getting worse. Look at the crime levels; look at the general insecurity in our country. I don't know what it's like for you in the United States, but here, it is terrible. When people go out on the street, they wonder if they are going to return in one piece. It's as if we were already in a civil war. This isn't presented by the media, which only shows that everything is just fine, that the country is growing.

**EIR:** What do you think of the recent statements by Russian economist and Congressman Sergei Glazyev, where he spoke of the need to establish a new world financial architecture?

**Enéas:** It is most agreeable to hear that from a man who is an elected congressman, a legitimate representative of the Russian people, and who, I am told, will be a Presidential candidate in Russia.

The model opposed to IMF, of the international financial system is, I would say, the model that should be adopted. And so, I am very happy with his statement. I would like to be able to talk to him someday, because as the moment of the crash approaches—which will be much worse than what happened in 1929, much worse—so too the moment approaches when those voices will be heard. So, I liked it very much. I fully agree with him: a new financial architecture is the way to go.

The problem is, and it is the problem before us now, how to bring about that architecture? How? What *de facto* power do we have to be able to impose this on Wall Street and the City of London? What *de facto* power?

I had that huge vote, an overwhelming vote. But what can I do in the Congress, once my Congressmen were co-opted by the executive power; in light of what happened with those I brought to Congress, with my votes? So, it's complicated. I don't know the answer. I know that I am a soldier ready for battle, but I don't know what to do. I know what I would do if I became President!

**EIR:** That is also why LaRouche is a Presidential candidate in the United States. The fact is that solutions other than the

ones he proposes, simply do not work. And at a certain point, that reality will impose itself.

I would like to ask you, in this international context of such a serious crisis and of growing opposition to the current system, what role should Brazil play in international politics? Who should be your strategic allies? What can be done with other countries, including the United States?

**Enéas:** I believe in searching for ideas that are in tune with each other. Who else thinks as we do, who has already reached the same diagnosis? And when I say diagnosis, *we* are thinking that way. But the President of Brazil doesn't think like this. Mr. Lula thinks that everything is fine: distribute a little to the base, as in his Zero Hunger program, and he thinks that this is solving problems. But meanwhile, he is demarcating Indian lands, creating more and more conditions of conflict.

I think, for example, that contact with Russia is fundamental; contact with China (which I haven't yet visited); with the Malaysia of Dr. Mahathir. That is, a unity of these persons around a common idea could, I want to believe, at a certain point, unleash some kind of international movement that *could* catch on. I am not saying that it *will* catch on.

In truth, when Mr. Bush invaded Iraq, I gave a speech from the floor of Congress, asking President Lula to seize the opportunity to present Mr. Bush with new conditions, not to sign the letter of intent [with the IMF] that he has now signed. I took the opportunity to send a message. But he turned a deaf ear.

I don't think that the needed contact is between the President here with other presidents, because this President is aligned with what now exists. It seems to us that he is a puppet, that he follows whatever his civilian Chief of Staff José Dirceu says. It appears that the person in control is Dirceu; *it appears*. I don't have more evidence.

To sum up, I think that that movement of unity could bear fruit: a union with Russia, and perhaps, who knows, with some forces that even exist in the United States. You are there; I want to believe that you are not all alone. If you were alone, you wouldn't be able to have that movement. Some groups in the world have been able to reach agreements.

And perhaps that work of ours is a work of resistance, like the resistance of Charles De Gaulle against the Nazi occupation. It is, perhaps, a view less comprehensive than it should or must be.

Understand: I am in my country, and do not have international impact. Here, my hope is, that some opposition party, for its own reasons and perhaps not even thinking deeply on the matter, will want to put me forward as a Presidential candidate, giving me what I need. And that party may want something, some horse-trading. I'm prepared to negotiate; I have already spoken with leaders. I am prepared to negotiate, if needed.

The moment Brazil kicks over the chessboard, it would be followed by an enormous number of countries. But it is necessary for Brazil to issue its cry of independence. At the

moment that Brazil, being the power that it is, a *de facto* continental power, and with all the characteristics you know, that make us a very rich nation, in natural resources, the moment that Brazil issues its cry of independence, it will be instantly followed. And then it will be much easier, even to bring about negotiations for a New Bretton Woods, which is Mr. LaRouche's idea.

It is necessary for someone to take the lead. Because we are a movement which has not been in power. Fine, I am a Federal Congressman. But I don't hold power. The power of an elected representative is small. Sure, I give speeches from the floor of Congress, and the media doesn't cover them. They all block me.

But, getting to the Presidency of the republic: that is different.

**EIR:** Mr. LaRouche is building a youth movement, of young people, which is causing a political and scientific explosion in the country and in the world. He has based this movement on the 1799 paper by Gauss on *The Fundamental Theorem of Algebra*.

I remember that you gave a speech at the São Paulo City Council in 2002, expressing your amazement at the way LaRouche spoke about the catenary.

**Enéas:** That's right!

**EIR:** And now he is building an entire youth movement based on the search for scientific truth, that seeks to change the world around that idea. What do you think, philosophically, about this question of the role of youth, and truth, in politics?

**Enéas:** I am an enthusiast for this, an *enthusiast!* I have some difficulties, for now, putting that into practice—difficulties of a financial nature, and other sorts. But I agree fully. Because young people—of course, we are talking about youth who have had access to education, who are in a position to understand that message. We can't talk about our young people who sadly are still floundering at the primary or pre-primary level of instruction. You know that education in Brazil is in terrible, terrible, terrible shape.

But I fully agree. Further ahead, I have to participate in a process similar to that. Once thinking leaders move the multitudes—because the masses never made a revolution, they were always led. I want to believe that leaders will emerge from that collection of youth. I fully agree with the ideas and the articles and magazines you have sent me.

I am not yet able to do that; I lack the resources. But further ahead, I will do so.

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