on the internal market. The change in regulation permits banks to take out international loans up to 100% of their liquid assets: concretely, increasing the total international loans which Brazilian banks can take, from $3.5 billion to $55 billion! A preliminary measure for the indiscriminate dollarization of the economy.

The first consequence of this measure was that interest rates on dollar loans on the interbank market leapt from 7% to 11%, on the first day. In reality, the Central Bank's decision continues the resolution made by the U.S. Federal Reserve and the G-7 last October, to increase the liquidity of the world financial system, to thereby postpone generalized bankruptcy. But this policy exponentially increased the volatility of the global markets, which now march toward their own inevitable destruction, as occurred in Weimar Germany in 1923.

Do away with 'parochial' resistance

What stands in the way of the imposition of a currency board, and the consolidation of the financial oligarchy's globalist utopia in Brazil, is the political situation, particularly following the decision by former President of Brazil and now Minas Gerais state Gov. Itamar Franco to declare a moratorium on that state's debt. In reality, Franco's decision brought to light a central problem in the republican history of the country, because the IMF and World Bank policies have stripped the states of their autonomous capacity for development, which had been maintained through the regional development banks and state banks. As a federal republic, at least until the 1970s, the Union shared with the states the power to issue credits for development, and the states had the ability to issue their own bonds. The debt renegotiations carried out by the Cardoso government with the states, stripped the states of any possibility of financial autonomy, transforming the Union into a monetary tyranny, a debt collector for usury.

This latter is a *sine qua non* of the recolonization projects for Brazil. That is why the *Wall Street Journal,* on Jan. 29, charged that local politics—the *Journal* considers human life to be a "parochial interest"—is the greatest threat to national stability, because, "with markets around the world sensitive to developments in Brazil, small-time political operators suddenly wield power." Minas Gerais Governor Franco is their leading target. The article concludes that "the ebb and flow between central and regional power has been a recurring theme in Brazilian history. It's also at the root of the country's chronic economic instability."

Likewise, senior World Bank economist Luiz A. Pereira da Silva, demanding a more severe fiscal adjustment in *Gazeta Mercantil* on Feb. 2, asserts that "the program must have a calendar which can be executed in the short to medium term, for the amortization of the domestic public debt, and have no renegotiation of the restructuring agreements of the state debts. Although there will inevitably be discussions about a new fiscal federalism, the opening of a Pandora's Box at this stage would certainly increase doubts about the federal government's capacity to honor its domestic public debt."

The bankers are right to be afraid. The nearer Brazil comes to dissolution, the greater grows the resistance rallying around Governor Franco, and it will continue to sweep across the country, pulling in its wake governors who today profess their loyalty to the President of the Republic. And thus, the widespread response to Governor Franco's ironic comment on the nomination of Arminio Fraga to the Central Bank: "I am very happy today, because we now have a new Finance Minister, Mr. Stanley Fischer, and a new president of the Central Bank, Dr. George Soros. Perhaps now it will be easier for Minas to renegotiate its debt without intermediaries. But we will have to improve our English a little bit first."

Minas Gerais revives 'Brazilian Greatness'

by Silvia Palacio and Lorenzo Carrasco

Under the headline "Minas Moratorium, Reviving 'Brazilian Greatness,' " Lyndon LaRouche's associates in the Ibero-American Solidarity Movement (MSIA) in Brazil, issued a political statement of support for the Governor of Minas Gerais state, Itamar Franco, for his historic decision to declare a 90-day moratorium on the state's debt to the federal government. Franco's decision, says the statement, has created the opportunity to transform the national calamity, into a rebirth of "Brazilian Greatness," should the country prove capable of calling upon the President of the United States to convoke a new Bretton Woods conference, to reorganize the bankrupt world monetary system to further the interest of nations, rather than the financier oligarchy.

The state of Minas Gerais, with a territory of almost 600,000 square kilometers (larger than France) and 18 million inhabitants, is self-sufficient in electricity generation and food production, and it is the second most industrialized state of Brazil. Historically, what occurs in Minas Gerais has proven to be a watershed in every political crisis in the nation's history, going back at least to 1792, when its citizens rebelled against excessive taxes to the Portuguese Crown (the which was nothing but a debt collector for the British Empire), an act known as the *Inconfidencia Minera* or "Minero Unfaithfulness." This movement, under the marked influence of the American Revolution, was led by Joaquim José da Silva Xavier (known as "Tiradentes"), who was said to always carry a copy of the U.S. Declaration of Independence in his pocket.

Today, the action of Minas's governor, in rebelling against the excessive interest payments imposed by the International Monetary Fund (IMF), is seen by various nationalist groups as the beginning of a second *Inconfidencia Minera*. The hysteria of President Cardoso and the bankers, caused by the Minas moratorium, is explained by the fact that this process could bring about the unification of a patriotic insurgency in defense of the country's sovereign development.

It was this history to which Governor Franco referred, when he declared, in greeting six other state governors who came to Minas Gerais on Jan. 18 to discuss how to change Brazilian national policy: "The Palace of Liberty, witness of Brazilian history in our century, receives you in this most difficult hour of the federation." He explained that the crisis facing the country "is a consequence of the transfer of the fruits of Brazilians' labor to the world financial system, through the highest interest rates in modern times."

After the Jan. 18 meeting of the governors, Franco addressed nearly 5,000 people, representatives of labor unions, students, political parties, community leaders, and other citizens, massed in front of the Palace of Liberty to support his policy. "We want to know [from] the President of the Republic and from his economic team, what has happened to Brazil in the past four years? Why are we impoverished? Why are we now demanding more [money] from retired state workers, when we are providing benefits to the banks?"

Franco continued that President Cardoso should listen to "the voice from the streets and from the unemployed." Minas Gerais cannot accept current economic policy, he said, "which brings unhappiness, recession and disaffection" to the country. "Minas is going to tell Brazil, the President of the Republic and his economic team, that we need a new social order, and jobs for our youth. . . . Under this beautiful sky of Belo Horizonte, we are going to join hands, join our hearts and our minds, and ask God to help our Brazil to do away with this economic order." The governor concluded by joining hands with the other governors, while the crowd shouted: "One, two, three, four, five thousand, we want moratoria for the rest of Brazil."

Documentation

The international flank

On Feb. 2, the same day that George Soros was handed control over Brazil's Central Bank, the most important newspaper in the state, O Estado de Minas Gerais, published a column signed by EIR*'s correspondents in Brazil, Silvia Palacios and Lorenzo Carrasco. Entitled, "The Moratorium and a New Bretton Woods," it provided Minas readers with an overview of the international battle which Brazil must wage, for Minas Gerais's battle against usury to succeed:*

Beyond all the show of blaming the Minas moratorium for the collapse of national and foreign exchange markets, the truth is that the action of Gov. Itamar Franco reveals the vulnerability of the world financial system, which since August 1997, with the Asian crisis, has entered into its final phase of collapse. President Fernando Henrique Cardoso can blame the governor for the country's loss of credibility, or for the decision to allow the real to float, but he knows full well that that decision was in fact made weeks earlier, at the end of 1998, as part of tacit conditionalities included in the IMF package.

In fact, the Brazilian situation was the sole topic of discussion at the meetings of the Group of Seven, held simultaneously with the annual IMF assembly in the U.S. last September, when it was determined that, despite the fact that the Japanese financial crisis was the major problem at the time, the economic collapse of Brazil would drag down the American banking system, and with it the world financial system. It fell to economist Lyndon LaRouche, founder of *Executive Intelligence Review* magazine, to forecast last December that the world crisis would return in a third, more devastating, wave within eight weeks at most, at which point the system would enter into the boundary area of its disintegration.

Actions such as the debt moratorium by Governor Franco, on behalf of his own population, are self-defense measures which serve to spark a mobilization toward definitive solutions. The paradox created by Minas, is that there is no solution solely in a national context, as long as the current world financial system continues, sustained by the most perverse usury which soaks up all national economic efforts.

The solution to the state and municipal debt problem requires a reorganization of the world financial system, because this is where the problem was generated. Brazil urgently needs to stop the bloodletting through implementation of exchange controls, control of imports, and provision of support for the entire national productive apparatus through cheap, long-term credits.

At the same time, Brazil must employ all its regional weight to call upon the United States government to convoke a New Bretton Woods conference, from which must emerge a more just financial system, based upon the development and equality of sovereign nation-states as indivisible wholes. China, India, and Russia have already turned their backs on globalization. Representing more than half the world's population, they would be ready to participate in this new reorganization, based on the needs of human beings, and not mere financial statistics. Only in this way, can we hope for a new era of development based on the inalienable rights of man, and can we leave behind the current danger of rushing headlong into a New Dark Age.