

By Ken Silverstein

RIO DE JANEIRO

AS RECENTLY AS OCTOBER BRAZIL WAS THE pride of the international business community. The Cruzado Plan, officially unveiled in February 1986, had introduced a new monetary unit and had included a price and rent freeze.

The plan reduced inflation from an annual level approaching 300 percent to the low double digits, the economy was growing at a rate approaching 10 percent and the country was routinely racking up trade surpluses of \$1 billion per month. Brazil's creditors had even agreed to partially reschedule the country's \$108-billion debt, the world's largest, despite the government's refusal to allow International Monetary Fund (IMF) monitoring of the economy.

Now, only seven months later, the country is living through the worst political and economic crisis of its two-year-old civilian

WORLD ECONOMY

government. Since the Cruzado Plan was quietly ditched in January, inflation has returned to record levels, strikes are rampant and real wages have plummeted 30 percent in the past four months.

The government's lack of action in confronting this situation has created a mood of almost complete cynicism among the population at large. "Eu acredito" (I believe), the slogan launched with the Cruzado Plan last year, has unofficially been replaced by "Eu acredito" (I believed).

It was within this context that President Jose Sarney announced on February 20 that Brazil would suspend interest payments on the nation's \$67-billion debt to private bankers. Sarney has since said that Brazil cannot pay more than \$6-7 billion in interest payments this year, roughly half of last year's level, and needs approximately \$4 billion in new loans as well.

Although the timing of the decision was unexpected, the action itself was not. Sarney had little choice, both economically and politically, in declaring the moratorium. Brazil is simply unable at present to meet its payments. In the past year foreign reserves have been more than halved, to less than \$4 billion. As interest payments during the first half of this year would have totalled \$7 billion, and the trade surplus during this period is expected to fall below \$2 billion, at least a temporary suspension was seen as inevitable.

Hugo Castelo Branco, minister of industry and commerce and one of the more conservative government ministers, recently stressed this point. After flatly stating that Brazil could not meet its payments this year, he added, "There is no real obligation to pay when there is no money to pay."

The government's financial shortfall is largely the result of dwindling trade surpluses that shrank from \$1.3 billion last May to \$136 million this past March. Although imports have remained stable, there has been a steep decline in exports.

This is partially explained by the progressive impact the Cruzado Plan had on consumer spending. The economy's rapid growth during most of 1986 produced significant gains for almost all sectors of the economy.

Though the consumer spending spree that resulted was largely confined to the middle class, the poor benefitted as well. As a result, goods destined for export were redirected toward the internal market. It is still possible,

Brazil and the banks: lost in a money maze

though becoming rarer, to see goods stamped for export on supermarket shelves.

This helped create a 13 percent drop in exports and demonstrates the limitations the debt places on even mildly progressive economic policies.

Rebellious assembly: Political reasons help explain the timing of the announcement as well. Despite a huge majority in the new Constituent Assembly elected last November, the government feared it was losing control of its own legislators. The assembly is currently writing a new constitution as well as fixing the mandate of President Sarney.

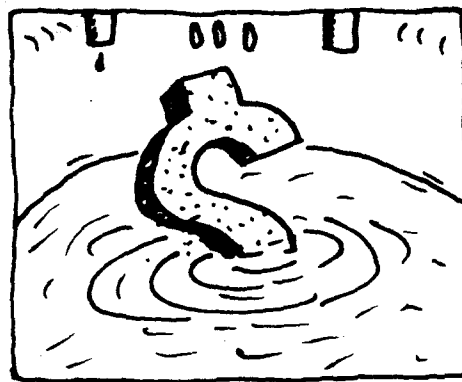
Sarney would prefer a six-year term, remaining in office until 1990. With the economic decline, however, his credibility and legitimacy have been largely undermined. In the days before the moratorium was announced, the newspapers were full of rumors that the assembly had settled on a four-year term with direct elections in 1988.

Other signs of rebellion had appeared as well. Most significantly, a bill to increase popular participation—making any public initiative capable of gathering 30,000 signatures automatically subject to discussion in the assembly—was approved in mid-February. This proposal was strongly opposed by conservative forces both inside and outside the government.

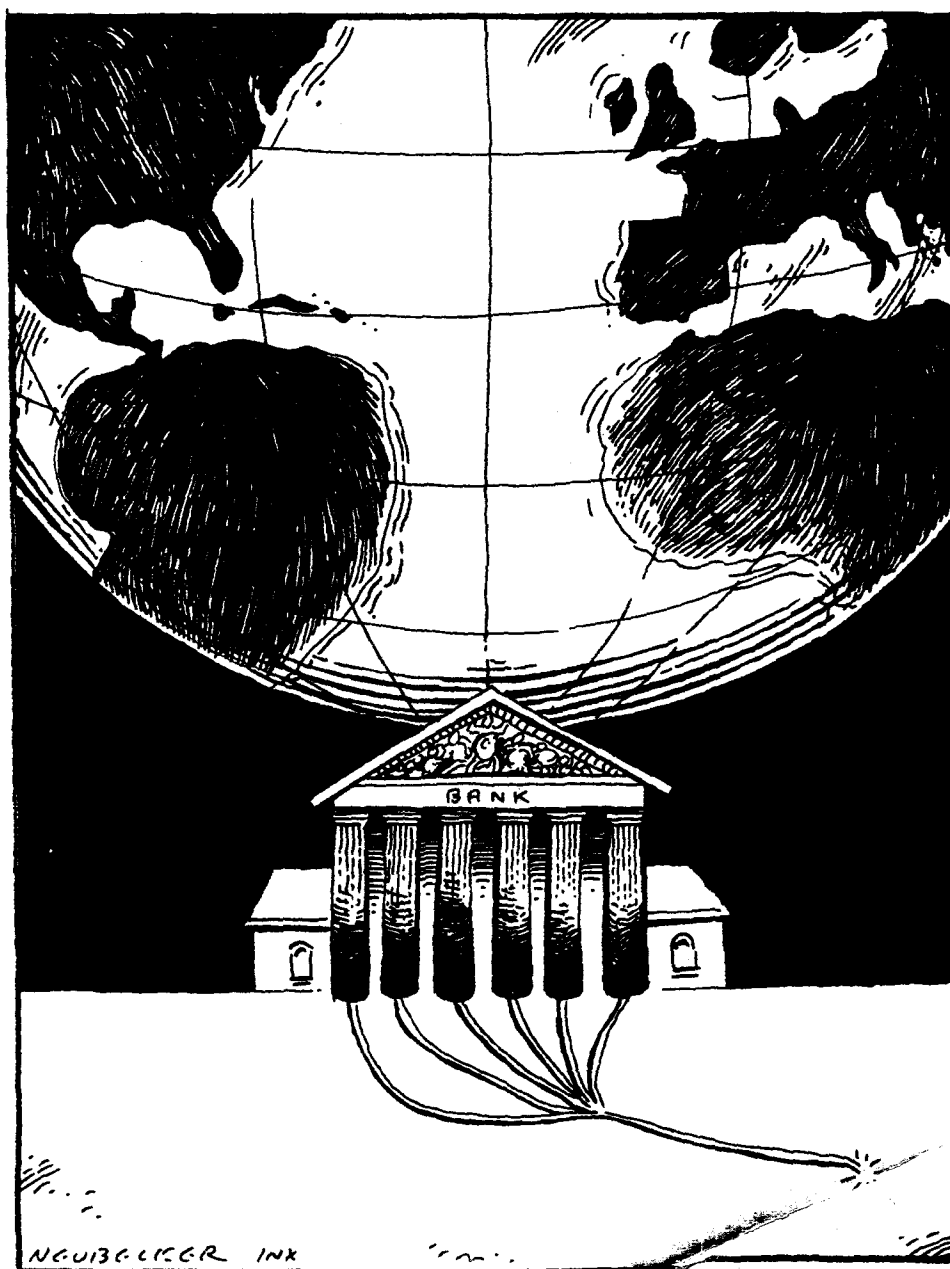
Many analysts believe that the moratorium is, at least in part, a response to

these political problems. By conceding to one of the opposition's major demands the government is hoping to regain control of the assembly, according to the analysts.

Oddly enough, although the moratorium is supported by almost everyone, it has not resulted in an upsurge in support for the government. The business community has



It's unlikely that banks will retaliate for Brazil's suspension of interest payments. "Brazil will go down the drain, but they'll come with us," warns one Brazilian expert.



voiced approval for the measure, but only as a regrettable necessity.

According to Rolf Lochner, president of the Bayer Corporation and head of the Brazilian-German Chamber of Commerce, "It isn't pleasant, but it is evident that the government needs time to adjust the economy."

Between a rock and a hard place: The unions, the parties on the left and the popular movements, for years the major proponents of a moratorium, currently find themselves in an awkward position. While they are generally supportive, there is great skepticism about what the president really intends to do. Sarney's speech announcing the moratorium made no attempt to rally popular support for the action, never calling into question the origins of the debt or its legitimacy in being contracted by a military government.

In addition, Brazil has suspended only payments on the 70 percent of the debt held by private banks. The government will continue to make payments on loans owed to multilateral organizations and foreign governments.

"The moratorium is not proof of the government's strength. The only thing it shows is that the government is broke," says Luis Ignacio da Silva (Lula), president of the small but influential Workers Party (PT).

In mid-April the government accepted one of the left's key demands and set up a Senate commission to conduct a full, case-by-case audit of the debt to determine how it was contracted and where the money was spent.

Eduardo Suplicy, a PT economist, said in a recent telephone interview that part of the debt was contracted illegally and should be declared "illegitimate." Suplicy believes that illegal commissions and kickbacks were paid and that only the part of the debt that contributed to economic growth should be repaid.

The government's new commission has not served to ease suspicions on the left, particularly after Dilson Funaro, the country's once powerful economic minister, resigned his position on April 26. Funaro, who had steadfastly rejected any economic advice from the IMF, was strongly disliked by Brazil's international creditors. The *Wall Street Journal* quoted one unidentified American bank officer as saying, "We'll certainly be more optimistic now about negotiating a settlement. There was pretty much a widespread perception that, with Mr. Funaro, one couldn't get anywhere."

The new economic minister, Luiz Carlos Bresser Pereira, is considered a centrist and is expected to be much more conciliatory toward the banks. Bresser has already devalued the cruzado by 8 percent and further measures are expected in order to prop up the declining trade surplus.

High stakes: Despite this development, the upcoming negotiations are sure to be tense as the stakes are high on both sides. Citibank alone, the country's largest private creditor, has nearly \$5 billion in outstanding loans to Brazil. The *Jornal do Brasil*, an influential Rio daily, estimates that the suspension of interest payments, if unresolved, will cost Citibank 20 percent of their overall 1987 profits, Chase Manhattan 23 percent and Bank of America 34 percent.

Since Brazil suspended payments two months ago, the banks have quickly signed rescheduling agreements with five large debtor nations. These settlements, particularly Argentina's April 15 decision to accept a proposed \$30-billion restructuring deal, served to isolate Brazil by removing the

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cause of the watchdog role that newspapers adopted in the wake of the Vietnam War and Watergate and because political reporters have a certain vested interest in creating a more equal and interesting race. But the reason they feel justified in investigating a candidate's private life as well as his political past is due to changes that have occurred in politics and the press over the past 35 years.

Since the early '50s, if not before, political parties have become less important. Voters, rather than party professionals, choose presidential nominees; and the candidates raise money themselves and rely largely on the media rather than on armies of party workers to reach voters. This has made the press far more important. Newspapers and television have tremendous influence over the public's opinion of candidates. And the candidates

themselves try to reach the public through the media.

American politicians have often tried to run on personality and image rather than platform. No presidential campaign of the last three decades could match William Henry Harrison's 1840 presidential bid for sheer superficiality and for playing on the voting public's credulity. But corporate capitalism's focus on consumption and leisure has shifted the public's interest from a candidate's ability to kill Indians single-handedly to his piety or his prowess in bed. Television's visual impact has also put a premium on candidate imagery. Television, writes political scientist Gary Orren, "has personalized news coverage, focusing on the manner, motivation and emotions of public figures."

Opinion of a candidate's private life has always influenced voters. Former New York Gov. Nelson Rockefeller prevented himself from becoming president when he divorced

his first wife to marry "Happy" Rockefeller, and Sen. Edward Kennedy probably destroyed his chances of becoming president at Chappaquiddick. In 1980 the Carter campaign very effectively used campaign commercials portraying Carter as a trustworthy family man to inject Chappaquiddick into voters' consciousness.

But the growing absence of mediating political institutions, from political parties to labor unions, has created an average voter who views political candidates as characters in an evening TV drama. Politicians have become personalities. And the politicians themselves have devoted increasing effort to creating pleasing images of themselves—often at the expense of the truth. Under Roosevelt, 5 percent of the White House staff worked in public relations; under Reagan 25 percent do.

In this sense, the press' concern with candidates' private lives simply reflects broader changes in American politics. But the press

has become an important actor on its own in campaigns and has contributed to candidates' definition of what is important as much as the candidates themselves. "The way we choose presidents is a national disgrace," *New York Times* columnist Anthony Lewis wrote last week. "That is not the press' fault. But the *Miami Herald* stakeout of Gary Hart shows how the press can make it worse."

Personal and political: There are two justifications for the press' preoccupation with candidates' private lives. The first is the belief that a candidate's marriage and friendships bear on what kind of a president he will be. One Washington journalist, who didn't want to be identified, invoked the verities of the '60s counterculture. "The structure of personal lives is political," he said. "You can fall back onto the [former *New York Times* executive editor] Abe Rosenthal view that it is irrelevant or you can try to understand."

The *New Republic's* Kinsley sought to justify directly the relevance of the *Herald's* findings. "The same juices that drive [politicians] to run for office drive many to horse around and may drive some to express themselves in other ways, like starting wars. This needs watching. They don't call it power lust for nothing."

But Kinsley's pop analysis proves the reverse. If there were a simple and direct link between philandering and warmongering, then the press would indeed be justified in exposing instances of adultery. But the philanderer Franklin Roosevelt was certainly no more warlike than the faithful Truman or Nixon. There is, indeed, a connection between persons' private lives and their political behavior, but it defies the present state of psychology, not to mention the efforts of political pundits and reporters.

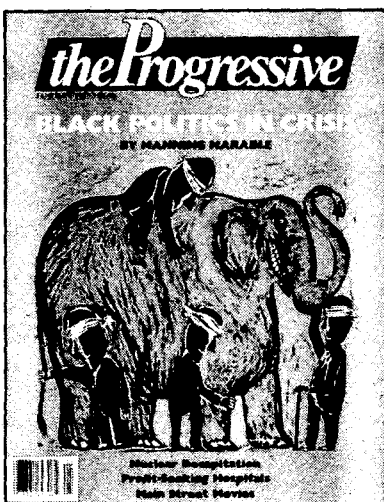
The other justification—also stated by Kinsley—is that reporters have no right to conceal what they know. The *Herald's* exposé was a contribution to political democracy in the same way as was the *Post's* exposure of the Watergate scandal.

But the press does not simply mirror reality. It must make choices about what it covers and does not cover. And because the precise links between the personal and the political are unclear, there is a good reason for not covering most political candidates' private lives except when information about their private lives bears directly and clearly on what they would do in office.

Some publications currently operate under standards of decorum that deprive the public of important political information. For instance, the *Washington Post* chose not to report its finding that Carl "Spitz" Channell and other contra fundraisers had funnelled some of the money raised to their male lovers, even though the fundraisers' sexual attachments were what explained the disappearance of the money. The *Post* reportedly was afraid of invading Channell's privacy, but was not afraid of violating Hart's. (See *In These Times*, April 22.)

The press cannot evade its role in shaping the political debate. It can either reflect the priorities of image-hungry candidates and of a public that feeds on sexual scandal, or it can attempt to prevent what is tendentious and merely sensational from dominating political discussion. To exclude the subject of reporters' gossip from the front pages may risk charges of elitism. But it can equally be argued that democracy cannot survive if our political campaigns become re-runs of *Dallas* and *All My Children*. ☐

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By Diana Johnstone

PARIS

A MYSTERIOUS MONTH-LONG LEAK OF liquid sodium in the Superphenix fast breeder reactor in France's upper Rhone valley has sent a silent chill of doubt through the French establishment: has France perhaps made a terrible mistake putting all its bets on nuclear technology?

Superphenix at Creys-Malville on the Rhone, some 30 miles upstream from Lyon, is the world's largest fast breeder reactor. Last year it began producing what has turned out to be Europe's most expensive electricity for EDF, the French power monopoly. At the end of March a sodium leak was spotted that had been going on for some time. After a fortnight of frantic searching, 50 technicians still had not been able to find the source of the leak, which was continuing at the rate of 500 kilos (more than 1,000 pounds) per day. They are still working on it.

Fortunately, the leak was from one closed reservoir to another. Sodium, a liquid metal used to cool the core of fast breeder reactors and transmit heat, bursts into flame on contact with air or explodes on contact with water. Nuke-watchers remember that in 1974 an enormous sodium fire destroyed the Soviet fast breeder at Shevchenko and let loose an unknown quantity of radiation.

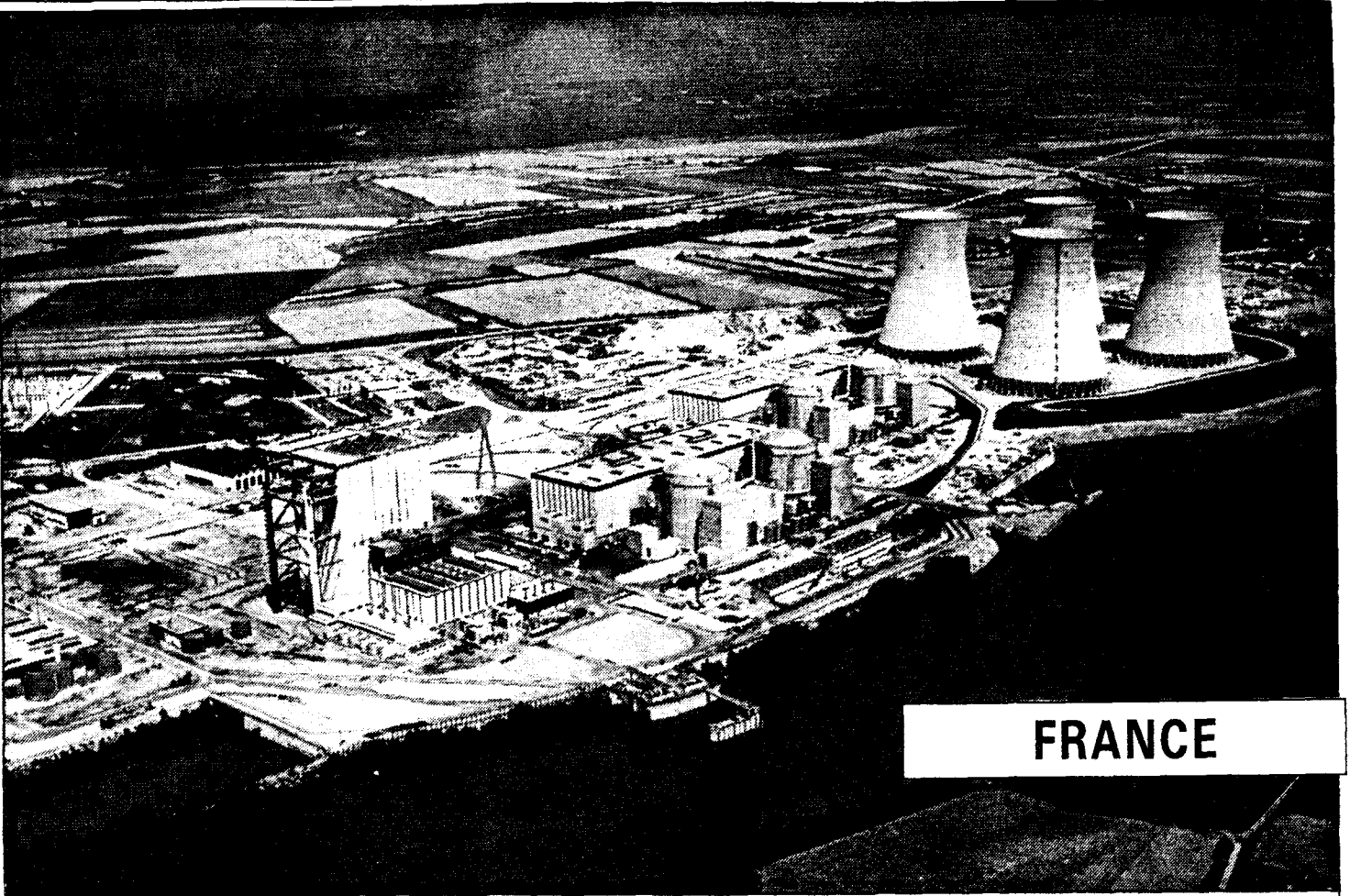
It was also in 1974 that French, Italian and West German power companies set up the NERSA company to build fast breeders. France's current defense minister, André Giraud, who was then in charge of the French Atomic Energy Commission (CEA), insisted that the Superphenix was not to be merely an experimental prototype but the beginning of a new industry.

The 1973 oil crisis clinched the arguments of the powerful nuclear lobby at the CEA. Nuclear power was the way to ensure France's independence from Arab oil sheikhs. And to avoid an alternative dependence on imported uranium, the final guarantee of national independence would be plutonium, homemade in French fast breeders. In those days experts were still projecting energy demand as an almost vertical upward curve. Now it has flattened out. Other countries have long since concluded that the fast breeder is a non-starter—too complicated to master, too inherently dangerous to be worth the risk.

British, Belgian and Dutch power companies joined the Italians and Germans in helping finance the project. The Italian state power monopoly ENEL and energy research institute ENEA built 35 percent of the nuclear boiler and 42 percent of the reactor block. But all willingly let the French have the honor of having the thing on their territory. The active German anti-nuclear movement has called attention to so many safety problems that a smaller breeder reactor at Kalkar in West Germany—part of the same program—has not yet been put into operation and may never be.

Ten years ago at Creys-Malville, a big protest demonstration against the fast breeder was dispersed by police grenades that killed high school teacher Vitale Michalon and maimed several other demonstrators. Superphenix was built on the scene of the bloodshed.

Louis Puisseux, a former Electricité de France (EDF) engineer who has written several books criticizing France's nuclear policy, points out that silencing the anti-nuclear movement was a precondition for making nuclear power economically viable. In other countries, anti-nuclear protests indirectly



FRANCE

France has 45 nuclear plants, second only to the U.S. But the industry is suddenly in trouble.

As a sodium leak grows, so does the nuclear debate

slowed nuclear programs by forcing costly safety improvements that make nuclear power too expensive to be interesting to power companies. Thus the cost per kilowatt hour of nuclear power plant construction has risen in Germany to 166 percent of what it costs in France.

Back to the stone age: In France as nowhere else in the West, the "nucleocrats" succeeded in discrediting and marginalizing the anti-nuclear movement. One of them, Pierre Pellerin, told the Paris Rotary Club in 1979 that the choice was between nuclear energy and going back to living like cave men. He suggested darkly that criticism of atomic energy was a mysteriously financed plot against civilization as we know it.

Pellerin went on to be named head of the official safety agency, the "Central Service of Protection against Ionizing Rays," which responded to the Chernobyl disaster by undertaking to "prove there is no problem." Other countries issued radioactivity counts. France announced only that radioactivity was "slight." Thus while the rest of Europe was counting becquerels and throwing away spinach crops, the French were provided with official assurances that all was well, and no disturbing statistics.

While anti-Soviet crusaders Yves Montand and André Glucksmann railed at French ecologists for failing to protest against "Kremlin secrecy" over Chernobyl, Pellerin's service refused to pass along to the French media information provided by the Soviet health ministry.

France has 45 operating nuclear power plants, second only to the U.S., and depends on nuclear reactors for 70 percent of its electricity.

So why does France alone continue to subsidize dangerous and money-losing projects? A big part of the answer lies in the nature of the centralized and secretive French state.

Starting in the '50s, a small, determined elite of technicians such as Giraud and, above all, Pierre Guillaumat, an intelligence officer who headed the CEA before becoming De Gaulle's defense minister, managed to push through an ambitious military and civilian nuclear program. There was no public debate. Political leaders were not necessarily aware of the implications of the projects they hastily approved. De Gaulle was simply one of them.

The association of the nuclear "*force de frappe*" with the name of Gen. Charles de Gaulle was useful both to De Gaulle, who

The leak is worrying a country that gets 70 percent of its electricity from reactors.

needed something prestigious to console his military men after the loss of Algeria, and to the nuclear establishment. The general's sponsorship gave French nuclear weapons a priceless aura of grand strategy and patriotism.

Military motives were at the origins of both France's and Israel's nuclear programs, which worked in close secret partnership in the '50s. Superphenix is of special military interest.

Lucky France: In his recent book *Crepuscule des Atomes*, Louis Puisseux cites Army Gen. Jean Thiry as rejoicing several years ago that "France will be able at relatively low cost to produce atomic weapons in great quantities as soon as the fast breeders provide in abundance the necessary plutonium. What luck for Europe and for France!" And Socialist member of parliament Georges Benedetti told the National Assembly in 1983: "The fast breeder alone is capable of supplying enough plutonium 239 to meet the

development needs of our tactical nuclear force."

Attitudes toward nuclear power have never followed political categories of left and right. When doubts arose recently over the leaks at Superphenix, Socialists wavered, an extreme right National Front leader called for a shutdown, and Francois Duteil, head of the Energy Workers Federation of the Communist-led General Confederation of Labor (CGT) declared that "refusing fast breeders means accepting economic stagnation and lasting unemployment...." Duteil said the CGT would not let the leak "serve as a pretext for going backward."

In other European countries, anti-nuclear movements have grown up on the left in an atmosphere of anti-authoritarianism and anti-militarism, encouraged in their opposition to nuclear power not only by the physical dangers but also by fear of the type of highly policed society required by such a dangerous type of industry.

In France, such a conjunction between left-wing sensibilities and an anti-nuclear movement has not happened. The doubts that are now visibly growing are without political color. They are strategic: a nuclear power plant upstream from Paris could make France particularly vulnerable to terrorist nuclear blackmail. Or economic: the damn thing costs too much; EDF will never get its money back.

To keep the faith while others are faltering, the CEA would like to build a second Superphenix in France. But EDF, already heavily in debt, is balking at the cost. Energy needs have leveled off, and EDF is faced with the prospect of producing more electricity than it can sell, despite having already heavily promoted all-electric home heating to build a market for nuclear electricity.

Environment Minister Alain Carignon said recently that the time of nuclear "arrogance" is over. When Superphenix was begun 10 years ago, "no debate was possible," he said. But now Carignon predicted a growing debate that "will transcend political parties."

On June 20 the European anti-nuclear movement is gathering in Paris. For the first time, Paris may pay attention. □

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