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**FREE ENTERPRISE,  
ECONOMIC DEVELOPMENT  
AND SOCIAL JUSTICE:  
THE BRAZILIAN PROJECT**

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**Free Enterprise,  
Economic Development  
and Social Justice:  
The Brazilian Project**



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Economic Development  
and Social Justice:  
The Brazilian Project**

**Federative Republic of Brazil**

Federative Republic of Brazil  
President Fernando Collor de Mello  
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Press Secretary  
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Speech of His Excellency  
President Fernando Collor  
at the Exame Magazine  
Awards Ceremony

São Paulo, August 30, 1990





Before anything else, I would like to render my most respectful tribute to the memory of businessman Victor Civita, whose absence here saddens us all. His life has left Brazil a lesson of intelligent and courageous labor, an example of faith in the destiny of the nation.

Victor Civita arrived in Brazil in the year I was born. For a Brazilian of my generation, it is difficult to imagine the daily life of childhood, adolescence and adulthood without the publications he created on the newsstands. They are part of our collective life; they aided in instructing people and transforming society for the better. They democratized access to cultural goods formerly reserved to the elite. Victor Civita was intensely concerned with the fact that Brazilians read very little. Unfortunately, this is still true: many don't know how to read and the habit of reading must still be developed among us. However, thanks to his work, great progress has been made and the concrete legacy he has left – in his companies and in the foundation that bears his name – will contribute increasingly to still greater progress.

Brazil owes much to men of his caliber, owes and needs others with the same resoluteness and confidence in the future; men who, as his son Roberto stated, are not aware of the word “impossible”. We need people whose confidence is not restricted to passive optimism, but which is fulfilled in the effort of action.

I agree deeply with his idea that a society is built by its citizens and not by the governing. My government is leading a national effort of awareness in this sense. We must make use of our personal energies and the freedom that we have won. The battle of Brazilians like him against censorship, disinformation and unjustified privileges was not in vain. Western civilization has enshrined the concept of renewal through responsible and constructive criticism. Never again will we succumb to the temptation of the beguiling advantages of the imposition of silence and artificial consensus. The free initiative of the citizen, worker and businessman with strict observance of the law is the only path to the progress and well-being of the majority. Victor Civita helped to demonstrate this truth with his life.

His daring was evident when he decided to launch the magazine *Quatro Rodas* in a country in which the automotive industry was still embryonic, to issue road maps in a country in which roads were few and precarious. He was a man before his time, participating in the construction of tomorrow. His pace also kept him ahead of the government, as is obvious in that picturesque episode in which an employee of the Highway Department withdrew from his drawer maps published in *Quatro Rodas* in response to information that Victor Civita had requested.

All of us can learn from the *Greetings to a New Day* which he made a habit of reading before initiating a day's work of dedication and creativity:

*"Look to this day.  
For this is life itself.  
In its rapid passing are  
all the truths and  
realities of its existence:  
the blessing of growth,  
the glory of action,  
the splendor of beauty.*

*Yesterday is no more than a dream,  
and tomorrow only a vision.  
But, well lived, today transforms  
every yesterday into a dream of happiness  
and every tomorrow into a vision of hope.  
Thus, look with care to this day."*

Ladies and Gentlemen,

It is a delight to participate in this act of recognition of the vigor of private enterprise in Brazil. I feel happy in having the opportunity to come to São Paulo to express my esteem and admiration for the people of this State and this city who have contributed so much to the progress of Brazil and to my project of national reconstruction which, as one of its pillars, is founded upon confidence in the talent and determination of the workers and businessmen of the private sector of our economy.

Historically, this sector has known how to transform crises into incentives to great achievements. It is not by chance that the decisive moments of our process of industrialization coincide with periods of sometimes acute difficulties. To some extent, the modern productive structure of São Paulo was born out of the crisis of the coffee cycle, when the exchange difficulties of the 1930s were transformed into momentum for the first stages of industrialization through import substitution.

The fundamental meaning of the government program we began implementing on March 15 is to permit that the freedom of market forces be the platform for the leap that we must make to achieve full development of our potentialities.

We must have the courage to change; courage to conceive of truly innovative formulas and courage to implement them in the face of the natural resistance of established interests and customs. Our plan of modernization of the economy, approved in the presidential elections, goes well beyond a stabilization effort. It is rather a broad and

coordinated project that seeks to achieve the very essence of economic activity, changing its structures and habits. Above all, stabilization is a prerequisite for the recovery of economic growth, not just any type of growth, but growth with efficiency and competitiveness, social justice and the reduction of regional inequalities.

We must cease being an economy of halfway solutions. We must abandon the vices of the past: to friends, protection and favors; to the neutral and enemies, the hard laws of the market. A market economy either exists or does not exist; but certainly not only when it is convenient.

We are establishing new relations between government and the business community, founded upon a mature dialogue that will extirpate the web of self-serving favoritism.

Down through the years, the Brazilian business community has demonstrated that it knows how to be serious, effective and creative. The country has a business class that is capable of competing with the best in the world. Society is aware of this, as is the international community. There is no reason why our businessmen should look with wariness to the opening of the economy and their gradually greater exposure to external competition. The same thing is true of our workers who are just as good and as dedicated as their colleagues of other nationalities.

The pressures of international competition should accelerate the modernization of an economy that has generated niches of ineffectiveness and obsolescence under the cover of protectionist practices. Competition reveals both the strong and the weak points of the economy. With a correct diagnosis based solely upon the transparent reality of the facts, we will be able to act to definitively strengthen the whole.

The world cannot be perceived as a hostile and adverse environment that threatens us. The Brazilian role in international processes is that of the permanent pursuit of the conditions demanded

for world peace; not out of whim, but because we know that the real political foundations of the balanced development of nations are to be found in peace. Peace is a prerequisite for stabilizing the bases of growth and avoiding the possibility of localized disturbances weakening the vitalness of a positive interdependence. Difficulties such as those that now affect the energy situation as a consequence of the Persian Gulf conflict may demand adjustments and re-evaluations. In Brazil, however, they will encounter a government that is alert, obstinate and dedicated to minimizing the negative impacts of the international situation on the internal economy.

A solid economy increasingly demands the incorporation of technical progress and the elimination of some market distortions. And the vital catalyst of these transformations is competition. Our businesses must invest increasingly in technological research, in knowledge and the training of human resources. The government will launch a program of stimuli and incentives so that businesses will be able to prepare themselves in technological terms, establishing new standards of interaction between the university and private initiative. Under the guidance of the government, it will be possible to channel scientific and technological research to the interests of the productive sector.

Our market must eliminate certain monopolistic and oligopolistic tendencies, together with the pernicious tradition of indexed profits. Wage and price freedom must be associated to acquiescence that profit margins cannot be fixed nor guaranteed. Brazilian companies cannot continue registering the world's highest rates of earnings. Negotiation must be incorporated – as it is already being incorporated – into the daily life of the Brazilian business community.

It is essential that we privatize the economy and deprivatize the State, for the State does not exist to maintain the privileges of the few, but rather to serve the interests and needs of society as a whole, providing assistance to the most defenseless. The market must follow

the same path. It was for this reason that we took the initiative of putting into effect – until it is examined and, we hope, approved by the Congress – a legal instrument designed to defend competition. In this way, we are safeguarding the economic agents and the population from those who desire profit, but are not willing to accept risks.

The government is renouncing its role of economic dictator: no longer does it set exchange rates, free wage negotiations are the rule, imports and most prices have been liberalized. The corresponding response awaited from the business community is a positive attitude that is proportionate to the greater burden of decision that it will have over the destinies of the Brazilian economy.

The end of class conflict in the more advanced societies occurs when profit is no longer seen by workers and businessmen as that share pocketed by the owner, but is recognized as just and indispensable earnings on investments and the award of competence. Thus, the importance of worker participation in profits, since it is this participation that characterizes a more direct bond with company performance, encouraging productivity, reducing the relative weight of the wage question and making the communion of interests of the parties involved more evident. In short, participation strengthens the legitimacy of profit.

Our development is facing an essential restraint that can be overcome in the very short term: that of economic instability. My government is successfully leading an effort that will allow us to liberate our attention from the unforeseeable and concentrate on the task of planning, projecting and building a new Brazil. Businessmen can and must operate with less immediate horizons; workers can no longer live with the worry of how they are going to sustain their families on the following day. In this sense, we have made much progress in the past five months.

Contradicting the presumed Brazilian tradition and pessimistic forecasts, August was a month of favorable signs. Inflation dropped to

9.5% in the period from July 15 to August 15. And this fact is extremely important for two reasons. In the first place, it was a decline achieved in a setting of price freedom and not, as in previous plans, by artificial restraints that would be nullified as soon as the dike was breached. Secondly, this result was obtained at a time when employment indices in São Paulo began recovering.

The public deficit has been defeated. Since March, the government has expended less than it has earned and has accumulated unprecedented and consecutive surpluses.

The Central Bank holds full control of monetary policy and will continue following the current line of austerity. In June, the monetary base declined by 9.2% and by an additional 9% in July.

Society has begun to understand that indexing and the battle against inflation are incompatible. One by one, the pressures for re-indexation of the economy are being overcome in a democratic way at the executive level, in the Congress and in the courts.

The political determination of my government to wage unceasing combat against inflation continues firm and unshakable. We remain determined to pay the costs and make the sacrifices that are required by this battle. At this moment, further reductions in inflation take precedence over any other government priorities.

Impregnated by the inflationary culture of the past, some have not yet taken stock of the government's real determination. They make economic decisions based on the premises of increased inflation. Those who so act will suffer bitter losses. Some may even disappear together with inflation, because the State will not come to the rescue of those who commit this error.

Those who bet on increased inflation will lose their money, just as many have lost theirs in recent weeks.

Those who bet on speculation will also lose their money. However, those who bet on production can only come out as winners.

Floating rate exchange policy has made it possible to assimilate external market conditions more rapidly and, as a result, we have registered consecutive surpluses and increased our reserves. Despite the poor results of the period immediately prior to March 15, the accumulated January/July trade surplus has risen to almost 8 billion dollars. As we all know, these are highly satisfactory results, achieved despite import freedom.

Ladies and Gentlemen,

The gigantism of the State's presence in the economy is another restraint born of the distortions of our market system. The reversal of the trend towards a broadening of the public sector is a priority of my government. We have already begun to work in two major directions: reducing the size of the government through moralization and consequent improvement in the efficiency of federal administration, and the privatization program of gradual government sale of its control in specific enterprises.

However, the major restraint has accompanied us since the dawn of our history: the absurdity of the growing social inequalities that form veritable abysses in the midst of our people. The income distribution profile in Brazil – one of the worst in the world – is frankly shameful. Unfortunately, there is no better adjective to describe the sentiment that we cannot fail to feel before the sad human reality that surrounds us.

With each passing day, we run the risk of this panorama becoming ever more manifest. This must not be allowed to happen – not through force, for this is no solution – but through a radical change in the logic that has guided development policies in our country. This is what we are doing and will continue to do, with absolute determination. The actions already taken and which will be consolidated are indispensable prerequisites to attaining this objective.

Government and business are not ends in themselves, and much less is development. Man is the ultimate and only goal of progress. A



developed society is that which offers its members conditions for a dignified, secure and happy life.

In the free market economic model we have adopted, businessmen have a great social responsibility. This is not a responsibility to be expressed only in rhetoric, but rather in concrete action.

In the democratic system, the company is the institution charged with generating wealth. Productivity and profitability are the basic conditions for improving the wages and well-being of workers.

We desire to live in a community of which we can be proud, with no restrictions. We want cities in which we can walk the street with tranquillity and safety.

The well-being of society is the aspiration of every Brazilian – governing authorities, housewives, businessmen, workers, students, in short, all of us.

In the definition of the social responsibility of the business community, there is one component of great importance – the ecological component. The affirmation of private initiative must be compatible with the preservation of the environment. No longer is there room for predatory activities, for growth sustained by pollution. If the balance of nature is not respected, development will be precarious and threatening. We cannot repeat the flaws we have perceived in other economies. In constructive interaction, government, society and the business community must seek rules that result in greater and more rapid growth with a better and healthier ecological equation.

As President of the Republic, I am leading an effort aimed at making the State fulfill its fundamental obligations to the collectivity, particularly those in most dire need. We will streamline and improve our presence in the areas of health, education, housing, transportation and infrastructure. We have abolished self-serving paternalism based on the exchange of favors and we are taking steps to inculcate in our citizens the idea that they are entitled to the support of the State, that

they owe no favors to the State, to its employees and to its presumed intermediaries.

Ladies and Gentlemen,

If we look at the history of recent years, we will see that, as expressed in words, intentions have always been good. In practical terms, however, they were not that good or were not fully implemented. There exists a limit beyond which this contradiction can no longer be sustained. And I fear we are very near this limit.

It is with this in mind that my government is dedicated to creating the best possible conditions for society to take the urgent task of changing Brazil into its own hands. The situation that we must change is adverse, but the moment is becoming favorable and opportune. We were capable of building a mature democracy. We are restoring stability to an economy in which chaos and the most absolute disorder reigned until just a few months ago. It was enough for society to desire and to believe and the first results were rapidly forthcoming.

I think it legitimate to be proud of having achieved so much in so little time. However, not a moment will be lost in celebrating victory in a battle. May this satisfaction be a source of inspiration and, trusting in God, give us the strength to face and to overcome the enormous challenge that still stands before us.

The businessman has a central and essential role in the life system we have chosen. The government must foster the economic stabilization and deregulation that will create space for private initiative. In short, it must – as we have been doing – create a climate that is propitious to business activity.

Though all of this is necessary, it is not sufficient to attain our objective of renewed, equitable and sustainable growth.

To grow once again, we must be able to count on patriotic and idealistic people, marked by courage and capacity, willing to take

advantage of opportunities and to assume risks. This is the role of the businessman.

To be a businessman demands an urge to achieve; willingness to accept challenges; capacity to evaluate risks correctly; tenacity to compete; daring to innovate. He must know how to mobilize and manage human and material resources to create wealth and distribute it evenly.

These are precious and irreplaceable qualities that any society must willingly encourage through well deserved remuneration. This is the social function of profit.

We must increasingly strengthen these business values in our country, contrasting them not only to the idea of the omnipotent state, but also to the culture of limitless and guaranteed profits.

These are the thoughts that I wanted to bring here as we come together to celebrate business excellence since, to a great extent, the success of our undertaking to renew and recover Brazil lies in your hands and your answers. I am increasingly convinced that the market economy is the best of all systems and the guaranty of freedom and democracy.

Ladies and Gentlemen, we will transform this country into a prosperous and socially just nation. We will transform into reality the unshaken hope of a people who, despite privations and difficulties, has never lost the joy of being Brazilian and confidence in the future of their fatherland.

May God help us!

Speech of Mr. Benjamim Steinbruch,  
Chairman of Vicunha Group,  
at the Exame Magazine  
Awards Ceremony

São Paulo, August 30, 1990



Your Excellency President of the Federative Republic of Brazil,  
Dr. Fernando Affonso Collor de Mello,

Your Excellency Governor of the State of São Paulo, Dr. Orestes  
Quércia,

Your Excellency Mayor of the City of São Paulo, Dr. Luiza  
Erundina,

Your Excellency Minister of the Economy, Finance and Planning,  
Dr. Zélia Maria Cardoso de Mello,

Your Excellency Minister of Justice, Dr. Bernardo Cabral,

Your Excellency Minister of Infrastructure, Dr. Ozires Silva,

Your Excellency Secretary General of the Presidency of the  
Republic, Ambassador Dr. Marcos Coimbra,

You Excellency Chief of the Military Staff, General Agenor  
Francisco Homem de Carvalho,

Your Excellency President of the Federation of Industries of the  
State of São Paulo – FIESP, Sr. Mário Amato,

Your Excellency President of the Federation of Banks, Dr. Leo  
Cochrane,

Your Excellency President of the Federation of Commerce of the  
State of São Paulo, Sr. Abram Szajman,

Your Excellency Director-Superintendent of Editora Abril, Dr. Roberto Civita,

Your Excellency Director of Editora Abril, Dr. Thomaz Souto Correia,

My friends José Roberto Guzzo and Antonio Machado, Directors of *Exame* magazine,

Ladies and Gentlemen,

It is an honor for us at Vicunha, among so many companies of recognized efficiency, to receive an award of such importance.

It is an even greater honor since the award has been won at a time of difficulties, anxiety at the threat of hyperinflation and profound doubts with respect to the future of the Brazilian economy and society.

At this moment, standing before this audience and the authorities here present, it would be very easy to recite a list of grievances and lamentations at the difficulties and incertitudes of recent years. However, this would not be in keeping with our business experience.

By definition, the businessman is a partner of challenge and he knows that his function in society is that of discovering opportunities where others perceive only obstacles and defeat.

We at Vicunha and the businessmen present at this moment are aware that the future of many people depends on our energy and our action.

Pessimism and distrust are fatal to the urge to invest. They inhibit the creation of new jobs, impede invention of new products or the opening of new markets.

Authentic business activity demands not only an unceasing pursuit of profit but also that monetary gains be obtained through socially legitimized and correct means.

The greatest defenders of the market economy have always recognized that the historic justification of the businessman is in his capacity to overcome routine, break out of conventional practices and expand wealth through new formulas.

They also recognize that the greatest threat to the survival of capitalism and the life style associated to it is the multiplication of nonproductive forms of enrichment born of speculation, parasitism and restrictions on competition.

Led by the courage of its President, the first popularly elected president in 29 years, Brazil has plunged into a daring program of reform and modernization of its economy.

There has been and will be powerful resistance on the part of already conquered fiefdoms in their habitual inertness.

Many companies have deviated from the path of efficiency and pursuit of productivity as a result of long coexistence and connivance with market protection. This phenomenon has been aggravated by tolerance for the chronic and later acute disease of inflation.

The most serious consequence of this disease that has contaminated the country has been the violation of the commitment that has always been implicit in the different stages of Brazilian development: growth of jobs, incorporation of new contingents of the population into the consumer market and the standards of living offered by modernity.

Speaking of the differences between the United States and Japan, Akio Morita stated that the inclination of Japanese business towards long term investments is founded upon a social commitment between employees and employers. Morita affirms that *"The workers of a Japanese company know that they are members of a community, united by a common destiny ... and it is this commitment that hinders management from being tempted to pursue short term results or being impelled by the shortsightedness of immediate profit."*



The greatest lesson that Japan can teach us is that the economy is progressing well only when the people are progressing well. Efficiency and competitiveness are not incompatible with job security and wage increases. Quite the opposite, the quality circles that are so admired by western managers are born of the deep-rooted involvement of the Japanese worker with the destiny of his company.

I stated that Brazil has initiated a daring program of reform that has the objective of mobilizing its fantastic stores of creativity and dynamism. If it is true that the path to be tread is rough and that many may succumb on the way, it is also true that there is no turning back. Either we accept the challenge of combining efficiency and competitiveness with equilibrium and social justice or we will definitively alienate ourselves from the principal current of history.

Ladies and Gentlemen,

There is no doubt that the textile sector is one of the most competitive. In this complex and differentiated market, there are companies of all sizes. It is one of the most labor intensive sectors and is marked by sharp technological heterogeneity. We can affirm that the textile sector is in need of urgent modernization so that it can approach the production standards of the first world countries without simultaneously provoking an undesirable concentration of production and reduction of jobs.

It is our opinion that the opening to imports is an incentive and not a threat.

The government will be – as it has been – sufficiently discerning to combine the exposure of industry with active policies in the areas of technology and industrial development.

Since its founding, the Vicunha Group has made it a norm not only to operate with low levels of indebtedness, but to reinvest all profits in

the companies. For this reason, we are constantly developing new projects and absorbing the most advanced technologies available on the market. We now operate in ten Brazilian states and have diversified our activities in industry, commerce, finance, agriculture and services. Our employment rolls now include more than twenty six thousand people.

These figures demonstrate our confidence in Brazil and in the capacity of the Brazilian people to overcome difficulties and re-initiate the march towards economic development.

While it is certainly an honor, the award that we receive here today has immeasurable importance as a manifestation of the entrepreneurial spirit of Victor Civita.

The trajectory of this businessman of unequalled mettle is a dignifying example of work capable of providing fundamental teachings for coping with difficulties and doubt.

Grappling with constant challenges, Victor Civita, like no one else, knew how to make the growth of his companies – founded upon competence and creativity-compatible with respect for the dignity of the labor of all his collaborators.

In dealing with the word and the broadest form of communication, his projects were always marked by banishment of two words which he never accepted: discouragement and crisis.

In closing, I would like to do something unusual... throw a kiss, a kiss full of love and tenderness to my father, Mendel Steinbruch, who is now recovering from surgery and express my desire that he return soon to continue exerting his leadership, his commercial feeling, his business aggressivity and, above all, his friendship.

This award belongs to the Vicunha family... to all of its 26,000 employees, many of whom have been with the company longer than I have been alive. To all of them, my appreciation and gratitude.

Finally, I would like to render a special tribute to three names:  
Mendel, Eli and Ricardo who, in fact, are responsible for the daily  
operations of Elizabeth S.A., the company that is honored here tonight.

From the bottom of my heart, my thanks and

Good Night

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