



PRESIDÊNCIA DA REPÚBLICA
Governo Fernando Henrique Cardoso

INTERVIEWS WITH THE PRESIDENT

BRASÍLIA
1998

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I. Presidente - Discurso, ensaio, conferências. I. Brasil. Presidente (1995- : F.H. Cardoso). II. Título. III. Série.

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ERRATA

page 14 – footnote:

(2) The federal agency for economic and social research

page 33 – footnote:

(15) The Economic Commission for Latin America and the Caribbean

page 39 – line 20:

The corrected sentence is: “That is a lot, but we had expected the number to be 4 or 4.5 million.”

page 41 – line 4

The corrected sentence starting in the middle of the line is: “With the present level of per capita income in Brazil, ...”

page 42 – line 19

The corrected sentence starting in the middle of the line is: “... meaning the production of music, theater and literature.”

page 45 – line 26

The corrected sentence starting in the middle of the line is: “No matter where you look, ...”

page 48 – line 31

The corrected sentence is: “Or the wish to have no change.”

page 50 – line 10

The corrected sentence starting in the middle of the line is: “Either they go on as they are now, ...”

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I. Interview with President Fernando Henrique Cardoso, Gazeta Mercantil, June 19, 1997

Gazeta Mercantil — *What is your greatest fear at present? Excluding the possibility that your re-election bid will fail, of course, although no one expects such a failure.*

President Fernando Henrique Cardoso — I'm not a candidate yet.

Gazeta Mercantil — *What is your greatest fear at this time?*

President Cardoso — From the economic viewpoint, for example?

Gazeta Mercantil — *From any viewpoint.*

President Cardoso — Overall, the main threat to our prospects would be an upset in the international financial system. I cannot predict such an upset, but if it happened it would be a shock to us because we wouldn't have the wherewithal to control the situation.

What do you mean by "fear"? Fear comes to you when you can't control something. Why are so many people afraid of flying in airplanes? Because they don't understand what's happening. Once they have a grasp of what's going on, their fear usually diminishes. So a genuinely difficult situation is only likely to arise in face of the unforeseeable. I don't believe there are many unforeseeable factors for us in our present situation, except for the one I've just mentioned. I hear a lot from the media about other factors, factors that worry journalists, and indeed factors that worry the Government, but they aren't unforeseeable factors.

The issue of the trade deficit is notorious, for example. There are ways and means of tackling it, measures that can be taken. Of course, if the situation were to change, giving rise to very significant, generalized social pressure, we would be faced with another unforeseeable factor. There are no contradictions here. Social pressures exist and are significant, but not generalized. They're localized, rather.

If we turn to another level of fear — a factor that isn't beyond control but is cause for concern — I should mention the slow pace of reform. This issue concerns me because it is within the scope of my con-

trol. Sometimes we ourselves give public opinion the impression that the speed of reform depends on the Government's determination. I often hear people say, "Oh if only the Government had as much determination to win approval for the reforms as it did to get the re-election amendment passed, the reforms would have been passed long ago." That isn't true. We do have the will. The problem is that the issue of re-election motivated the political forces very strongly, whereas the reforms run into obstacles from the political forces instead of motivating them. In fact, some groups are afraid — wrongly, in my view — that they will face negative electoral consequences if they approve certain positions in Congress. This fear hinders the process.

I believe that when you look judiciously at what it's possible to do and compare that with what is in fact being done, you have to be concerned about timing. Because however considerable the means at our disposal (and we do have the means to keep the Real under control), we don't have the means to accelerate development. That's what is urgent in Brazil. So that's what genuinely concerns me.

Gazeta Mercantil — *You've touched on some crucial issues, including the fear of an unforeseen upset in the international financial system. This fear evidently arises from Brazil's present difficulties with the balance of payments, especially the significant current-account deficit. If everything happened to be satisfactory in that area, the effect of an international crisis would be far less significant. What do you plan to do or tell your economic team to do in this area in order to attenuate the risk?*

President Cardoso — First of all, let me say a bit more about the international question. At bottom, if we look at the question in universal or general terms, it's clear that globalization of the economy means there are no rules. Political power isn't international. The economy is international but political power is not. This is the crux of the matter.

The institutions that were set up to deal with international economic issues after World War II, after Bretton Woods — the International Monetary Fund, the United Nations and the World Bank — are simply not up to the demands of the situation we face today. The UN is in crisis. The IMF confines itself to ensuring an adequate level of liquidity for

world trade, which has become an obsession. The World Bank hasn't done enough to counterbalance the tendency toward a concentration of wealth. We'll have to live with these problems until this contradiction, which is a global one, is resolved.

Of course, that isn't the question I was referring to. Globalization and its problems are just a backdrop for the potential crisis I'm talking about. What I was referring to would be a crisis in the financial system. There's a vast amount of capital flowing around the global economy but no one can say where it will end up next. For the time being, this liquidity is beneficial to Brazil. Why? Because Brazil is one of the few places in the world where capital can come in and make a profit. There's a huge amount to be done here. In Europe, it's quite the contrary. It just isn't possible for capital to increase in value in Europe. In Asia, it is. In the United States, it is. In Brazil, too.

Now to return to your question. Given what I've just said, what must we do to attenuate or minimize the risk? The central bet for my economic team and myself is that this risk is a temporary one. As you know, in politics and economics you always have to bet, because politics is the realm of the unforeseeable. Politics isn't management. In management, you apply the rules and resolve problems. Similarly in law. Politics is the opposite of that. It's facing up to challenges. You're always obliged to bet, to gamble. So how are we betting? Well, the person most responsible for this bet is with us here right now. It's José Roberto Mendonça de Barros, Economic Policy Secretary at the Ministry of Finance.

What are we putting all our chips on? We believe we're now in a stage which entails a transformation in the structure of our productive system. And during this stage we must import large amounts of machinery and equipment, as well as raw materials. These goods will enable us to strengthen the productive basis of the economy so that in the ensuing stage we will be more competitive internationally. If we increase our efficiency, we'll be competitive.

The market in today's world is a single entity. Not just the external market. The domestic market is the same. The concept of single pri-

cing will become more and more applicable. In international trade there's already a trend toward single pricing. You'll see, there will soon be a theory of single pricing for commerce and trade in general — I'm not sure if someone hasn't already formulated one.

Very well, so we're putting all our chips on this bet and that's what we're going to do. We expect this stage to last three or four years. During that period, even if there's a deficit, as there is now in trade, it will be perfectly feasible for development and political stability to proceed, and meanwhile we'll have the capacity to attract the foreign funds required to finance the deficit.

Gazeta Mercantil — *There's an ongoing debate in Brazilian society about the importance of foreign investment, especially direct investment. Foreign direct investment is long-term capital. It's here to stay, although there's the other side of the coin in the form of profit and dividend remittances. However, it's a fact that some Brazilian companies are unable to obtain foreign lines of credit, which come at low rates of interest, for investment in their own business. Companies that cannot do this are obliged to borrow from domestic lenders at very high interest rates. What can be done to alleviate this problem for segments that don't have easy access to the international market? Can interest rates be cut? Can special treatment be afforded to those who require it? Some market analysts say the president of Brazil is now much closer to the kind of external economic policy formulated by Secretary José Roberto Mendonça de Barros, who is with us here, than the initial approach to economic opening and exchange-rate policy advocated by Gustavo Franco (currently international director at the Central Bank). Franco's initial version was to throw the economy totally open and let the devil take the hindmost. Some observers now expect the Government to implement a policy designed to rescue as many local companies as possible.*

President Cardoso — The measures we're taking, as part of this restructuring process I've been describing as our "bet", are designed to make sure the nation's business base isn't destroyed in the process. The economic opening didn't start with me, let alone with Gustavo Franco.

It started with President Fernando Collor de Mello and was accelerated by President Itamar Franco. In that case I did indeed have a role to play: under President Franco I was Finance Minister when import tariffs were cut to an average of 14%. There was a tidal wave of lobbying from São Paulo to stop me from doing that. However, I agreed to the measure because I took the view that interrupting the economic opening would be tantamount to destroying our opportunity to modernize the productive system. After that, the process was accelerated under Finance Minister Ciro Gomes after the accords signed at the Ouro Preto summit, when we reduced import tariffs drastically.

It wasn't Gustavo Franco's responsibility. He was in a different sector, taking care of exchange-rate policy. He presented the rationale. He explained, quite rightly in my view, that such a policy was necessary to inject a "shock dose of capitalism", to use an expression coined by Mário Covas. Otherwise we would be overprotecting our industry with an exchange-rate policy that favored exporters and inflicting suffering on the Brazilian people.

I recall an incident that happened when I was Minister for Finance. Domingo Cavallo, Argentina's Finance Minister, said this to me one day: "I don't understand why you don't implement a stabilization program right away. Your international reserves are at a higher level than we had in Argentina when we introduced our program. Your present policy benefits exporters and a few branches of industry, but the population is paying the price." However, we didn't implement the program right away, I admit that. We were allowing some segments to enjoy privileges to the detriment of the entire population. That doesn't mean the Government should forget about the industrial segments that are suffering from the effects of the opening. If we had concerned ourselves solely with these segments at that time, we simply wouldn't have opened up the economy. Even if I accept for a moment what you say about the different approaches proposed by Gustavo Franco and José Roberto, I see them as forming a sequence, not as in opposition to one another.

The time has now come when we have the necessary flows in international trade and a much more open economy not just to enable us but indeed to oblige us to do something actively to assist the industries that can be restructured internally. BNDES⁽¹⁾ is taking care of this matter.

Gazeta Mercantil — *What sectors is BNDES restructuring?*

President Cardoso — Textiles, footwear and auto parts. BNDES has changed its approach. What was the old approach? Back in the eighties, it adopted a suitable policy that served as a jumping-off point from the period of President Ernesto Geisel, when resources were concentrated in the hands of a few big companies which alone were capable of creating a capital goods industry, a petrochemicals industry, driving the steel industry forward, making a great leap forward. That was achieved. BNDES extended loans at subsidized interest rates, enabling these industries to be set up. Now we've privatized what was created as a tripartite structure, as a partnership between foreign capital, local capital and the state. We've privatized all the steel mills, as well as the petrochemicals and fertilizer industries. The capital goods industry was never state-owned.

As I said, BNDES is now using a different approach, lending to small and medium enterprises. That's very important. The loans are extended at subsidized interest rates. Why did Embraer sell aircraft? Because BNDES lent to the company at competitively low rates. When I was finance minister, the issue of privatizing Embraer was brought up. Even before that, when I was a senator, we voted through an injection of capital for the company. Mário Covas worked with me on that. As senators for São Paulo we worked hard to get a subsidy of nearly 500 million dollars for Embraer, which was heading for bankruptcy. Later on, when I took office as finance minister, I had to deal with Embraer's effective bankruptcy. Thanks to the patient work done by Air Minister Lélío Lobo and my own grasp of the issue as finance minister, as well as that of President Itamar Franco, we privatized Embraer.

(1) The National Development Bank.

The process hasn't yet reached an optimal point, however. We lack the conditions to extend subsidized credit to every industry that needs it. We're moving in that direction, nonetheless. In agriculture, we've abolished the Reference Rate (TR) and created in its place a Long-Term Interest Rate (TJLP). We're helping these sectors to restructure.

Initially I was worried about the prospect that too many state-owned enterprises might pass into foreign ownership as a result of privatization. There too, not only BNDES but also the pension funds have created conditions to prevent that from happening. I hear people say, "Oh dear, privatization in Brazil has been conducted without any protection for local capital." That's untrue. We must help strengthen local ownership, but the conditions are quite different now.

Gazeta Mercantil — *What conditions are you referring to?*

President Cardoso — The need for a renewal of technology. The need for aggressive marketing instead of relying on subsidies. Interest rates on official loans can now be equivalent, so as to level the playing-field rather than ensure superiority, and that approach will drive forward progress in the technological factors.

Gazeta Mercantil — *But if you don't create general structural conditions in the financial sector and decide instead to favor certain industries with subsidized loans, won't you in fact be cementing a distortion or a bias in the allocation of resources?*

President Cardoso — If that were to become a permanent policy, leading to a generalized trend, I'd agree with you. We've reduced interest rates considerably. There's room for rates to come down further but the conditions for that aren't right just now. We're trying to reduce rates. Hence the reforms, hence the anxiety about the slow pace of things, about fiscal disequilibrium. That's the crux of the matter. We must have interest rates that are right for the situation in general terms. What have we done about that? We've considerably improved access to foreign credit. Look at agriculture, for example. We've introduced a new facility called Resolution 63 farm loans. When I was finance minister, the big farmers lobbied Congress to stop this measure. It took two

years to win approval for it. Why? Because everyone wanted soft loans from Banco do Brasil, right?

Gazeta Mercantil — *In sum, the Government seems to have opted for intervention in selected industries for the time being, allocating resources to this or that sector. The aim is apparently to protect national industry and ensure that foreign capital doesn't just take over altogether. Is that in fact your intention? If so, what's the importance of warding off the threat to local ownership?*

President Cardoso — Because that's what the United States does. So do France and Germany. It has to do with the possibility of guaranteeing that the key drivers of economic growth will be present. In a globalized world, if you don't keep those key variables under control, you may face serious problems with employment. In Brazil the issue of employment is a major concern.

Take the example of cotton. There was intense debate about the need for change. The first idea was to throw the market open. So it was in fact opened up and people started to import cotton. Cotton producers collapsed in Paraná, Mato Grosso and the Northeast, driving up unemployment in rural areas. From the standpoint of abstract economic logic, imported cotton was far more attractive to industrialists because it would result in a cheaper finished product, and the entire population would benefit. But then we went to take a closer look at why it was more attractive. The key was credit. It was a means of raising working capital, you see. So the right way to proceed is to change the credit policy and enable local producers to survive. As a result, the acreage under cotton this year has increased and so has the number of jobs.

I don't believe market forces can simply be left free to operate. In the argument about liberalism and neoliberalism, I side with *O Estado de S. Paulo*. The newspaper has published two excellent editorials about the Government and what we're doing. We no longer live at a time when dogmatism is necessary. Who needs "isms" to guide their actions? You have concrete problems, and you have your goals. What's the main goal? To improve the lives of the majority of the population.

Gazeta Mercantil — *Would you agree that the concern about preserving local ownership is a survival from the past?*

President Cardoso — But where is this concern you're talking about? Let's go back to something I said earlier. The contradiction between political power and economic power still exists in the world. Political power is national. Economic forces are global. Why is the United States having trouble with NAFTA? Because the U.S. Government is being pressured by labor and by American business. The problem is the same everywhere. It's not a matter of protecting local industry as it was in the past. We're not interested in closing the economy up again. What we're doing is giving local companies the conditions to compete.

Gazeta Mercantil — *Consumers are still victims in Brazil.*

President Cardoso — The economic opening has improved the lot of consumers considerably.

Gazeta Mercantil — *Of course.*

President Cardoso — That's exactly why we're not interested in closing the economy up again.

Gazeta Mercantil — *The economy needs opening just as a plant needs oxygen.*

President Cardoso — Right. It's fundamental. We're working to give Brazil the wherewithal to compete. That means having an open economy. It doesn't mean fiddling with the exchange rate to favor this or that sector, or providing subsidized credit, or restricting imports. We want to see an open economy with businesses that are equipped to compete both at home and in international markets. For that to be possible, it's important to have foreign capital here in Brazil, competing against local capital.

Gazeta Mercantil — *Even in the service sector, it seems the economy's eager to see new players coming in to compete.*

President Cardoso — Take the example of the banking industry. The suggestion came from officials in the Finance Ministry and I took the decision. I signed things that no one had ever signed before, flouting the interests of domestic finance capital, which has always

wanted to keep the sector closed. I authorized the entry of many banks. Only recently we've seen the arrival of HSBC, for example. We've opened up the financial services industry. We haven't yet succeeded in resolving the issue of health insurance. The population is protesting loudly at the high cost of medical insurance here.

Gazeta Mercantil — *In connection with your advocacy of competitiveness, a study by the Inter-American Development Bank (IDB) shows that Brazil falls below an average for 19 countries in terms of education and ranks virtually last in terms of income distribution. If we don't solve fundamental problems such as education, income distribution and the fiscal deficit, how can we achieve growth?*

President Cardoso — I'd have to see the statistics. I don't have much confidence in international comparisons of that kind. In education, for example, we simply don't have reliable statistics. If things were as bad as they say, we wouldn't have the skilled workers we have. Everyone is full of praise for the Brazilian workforce. Yet when you take a look at the figures on formal schooling of our workers, it's very low. Something doesn't fit.

As for income distribution, the statistics show that for the first time ever the distribution of income has effectively been shifted in favor of the poorer strata since the Real Plan's inception. All strata have gained, but the poorest have gained more than the richest. IPEA⁽²⁾, our economic think-tank, has statistics that prove what I'm saying. International statistics don't reflect that. They reflect the past. Anyway, the changes we're implementing will have effects in the long term. I recall reading a paper on income distribution in England. Nothing improved for a century. It's easy to talk about distributing income better, but it's very hard to do. Income concentration has intensified again in the United States.

Just as important as income distribution is minimum real income. That gives you an indication of the population's well-being. The real minimum wage has risen significantly in Brazil. There's a perverse fac-

(2) The central agency that distributed generic medical drugs

tor here, which is that the labor market in Brazil is governed by laws dating from a remote period in the past. They provide protection of the European variety for workers. The United States doesn't have that. So what we see in Brazil is a vast informal labor market, which is a perverse way of adjusting to the new times. It's perverse because it gives workers no guarantees, while also giving no resources to the state because no payroll taxes or social security contributions are paid in the informal market. When you look at incomes in the informal sector, just one study conducted in Rio de Janeiro shows that the minimum wage in the informal sector is higher than in the formal sector, as is the average wage as well. Is that factored into our statistics and included in our calculations of gross domestic product?

I'm frequently quite shocked by statistics. The other day I saw one that said Brazilian blacks are the poorest in the world. Where did they get that from? No such statistic exists.

Gazeta Mercantil — *The study conducted in Rio de Janeiro shows that workers in the informal sector are better off. Isn't there a lesson to be learned there? Don't you think the labor market is excessively regulated and that this should be changed?*

President Cardoso — Food for thought. I'm very cautious about statistics that show Brazil is improving or getting worse.

Gazeta Mercantil — *Brazilians are accustomed to a state that invests in the productive sector. Present-day economists conceive of the state differently, but society doesn't seem to have understood. What shape is this new kind of state taking and what are its attributes?*

President Cardoso — The state is changing. I want it to go on changing. Some business leaders and economists say they expect this or that to happen. But I can't fulfill expectations that I haven't created and can't be fulfilled anyway. The other day I was asked what will happen to poverty by the end of my second term, if I'm re-elected. I'm no demagogue. How can you get rid of poverty in four years? Impossible. It's a process. It takes a long time to achieve growth. Specific policies are required. The same goes for education. The real question is whether we're moving in the right direction. We're investing in basic education, which

simply didn't exist in the past. Teachers will have ten volumes sent to their homes. Today there are schools for every child in Brazil. That doesn't mean every child is going to school. If they aren't at school, it's because of the high drop-out rate, which is a trend we're taking steps to combat. That's what economists and business leaders must understand. It's a process. You can't just press a button and produce change.

I'd like to take the opportunity to raise an objection to that argument. When Congress is about to take an important vote that will change things, who do we see over there lobbying the congressmen? The people who don't want change. Where are those who do? Aren't they just sitting there, calling for change but doing nothing? It's not a matter of what the Government wants — it's what the nation needs. I don't complain of lack of interest on the media's part. It's the business community, the people who genuinely want to see change, who too often just sit back and do nothing. You get the impression that the Government is a gladiator in the arena, surrounded by lions, while the crowd packing the grandstands give the thumbs-up or thumbs-down, like the Romans used to do. But the truth is it's society as whole that should be fighting to bring about change.

Gazeta Mercantil — *You say resolving the problem of poverty is a gradual process driven by growth and specific programs. However, some people say your Administration is at a crossroads: either you adopt a new exchange-rate policy or you produce a recession so that relative prices can adjust to prices in the international market.*

President Cardoso — I think both alternatives are wrong. We've innovated in that area. It's strange how even people who recognize that we've innovated do so only partially. I frequently hear people say the Real Plan is part of history, the history of the fight to control inflation. The Real Plan isn't an anti-inflation program. What has happened in Brazil is far bigger than that. We're looking at a change in the structure of society. What we're witnessing is an economic transformation. We're creating a new society. This point isn't clear to a lot of people because all they can see is the new low-inflation economy. Even if

we hadn't brought inflation under control, we would still be changing society.

When I was foreign minister, I never tired of repeating that point on my travels around the world. Even before that, when I was in the Senate, I once came under intense criticism for making a speech in which I advocated an economic opening. What I was advocating was that Brazil should play its rightful role as a sovereign player in the new international order. Changes were already taking place because of globalization and also because of Brazil's immense potential. When I was foreign minister, inflation made it very hard for me to state that the economy was growing. Later on, when I was finance minister, I used to say the Brazilian economy was already liquid, the corporate sector had adjusted, and it was up to the state to follow suit. The changes were already happening but the state was lagging behind, so we were marking time.

Today, however, the state has changed and society hasn't noticed yet. Take exports, for example. We've introduced many measures designed to boost exports. So let there be exporters! Exporting is something the state can't do. It's up to private enterprise. Just don't come back later asking the state to get in there and do it, because if it does it will do it badly. Society has to realize that the state has changed. The concept of governance has moved on. This new concept deserves to be highlighted.

Very well, you say many people talk about this supposed alternative — devaluation or recession. What they fail to see is that it's neither one nor the other. We take the view that there's a new society in which the driver of export growth is no longer the exchange rate but productivity. Moreover, recession isn't acceptable here. We're not going to pay that price, and we don't have to. And despite the pressing need for reform, and the very slow pace at which it's moving, the state has the instruments with which to keep inflation under control. What I'm saying is self-evident: we have enormous wealth, as privatization is demonstrating. We have resources, and I believe we won't make mistakes, not least because this is an open society and when the Government makes

mistakes, there's an outcry that helps us make corrections. This isn't a one-party state, with press censorship or cronyism and widespread patronage in local government. In my view that dichotomy is false. We have the means to keep the situation under control without either falling into a recession or tweaking the exchange rate.

Gazeta Mercantil — *What growth rate do you foresee if present trends continue? Everyone says 4% is too slow.*

President Cardoso — Everyone has to say it's too slow because they overlook the fact that our economic growth is a zigzag: one year we grow 2% and the next we contract 2%. Of course, the faster we grow, the better. The crux is to grow in the right way, without fueling inflation, without relying on boom-and-bust cycles in consumption or investment due to protectionism. What we're pursuing is sustained growth. It's fundamental to bear in mind that unemployment hasn't risen in Brazil. It's risen in people's imagination and as a menace.

Many people think Brazil is doomed to follow in Europe's footsteps. It isn't. Our society isn't organized along European lines. It's far more similar to the United States. In Brazil, companies and labor tend to move from one region to another, there's mobility of capital and labor, in contrast with what you see in Europe. Brazilians are good at moving out of one occupation and into another, which isn't the case in Europe. We're American. I don't see anything wrong with that. We have more mobility and we have an agricultural frontier. There's no likelihood of a catastrophic rise in unemployment, so even with 3% or 4% economic growth we don't expect social problems to get worse. The rate of population growth is slowing down. Of course I'd be happy if GDP were to expand 6% or 7% per annum. But we don't want to grow 6% or 7% and find ourselves with a foreign-exchange crisis or inflationary pressure that we can't control.

Gazeta Mercantil — *The economy is slowing down too. Even with elections approaching, growth is unlikely to pick up. At the last election, you campaigned on your successful record in stabilizing the currency and reducing inflation. People expected economic growth to*

be much faster than it has been. What new ideas will you campaign on this time around?

President Cardoso — I'll answer that question in just a moment. First, though, it's wrong to say the economy is heading for a slowdown. The public don't know what GDP means. They don't care, either. They want a job and three square meals a day. The people who care about GDP are the economists, particularly the opposition's economists. They use this issue of growth rates as an argument to stymie whatever we're trying to do, but it doesn't get through to ordinary people.

Things aren't getting worse in Brazil. They're getting better. Ordinary people realize that. Why should they be getting worse? Look at the figures on consumption. How can you go on about difficulties when sales of TV sets amount to 15 million in two years? When the computer industry expands 50% in a single year? When production of cars is rising amazingly fast? People who bandy these accusations about have never been out in the real world.

Gazeta Mercantil — *You've spoken about reforming the state, reforming the national consciousness, reforming society. Allow me to ask you something that's not at all meant to be a trap or a leading question. Is this model of democracy the right one for us at the moment? This Congress with hundreds of members, whose performance not even the media are able to monitor...*

President Cardoso — That's because they're dynamic.

Gazeta Mercantil — *Wouldn't it be far easier, Mr. President, wouldn't it be a patriotic gesture to start re-examining this structure? After all, it doesn't say in a manual somewhere that democracy has to have this format, especially that the Chamber of Deputies has to have so many members that it can't operate smoothly.*

President Cardoso — I think it's undoubtedly true that we need a political reform. So then you'll ask why hasn't the Government brought forward a proposal. If we had, everyone would be debating political reform and nothing else. It's easier *ex post*. Today everyone says it should start with this or that. The fact is, however, that if we hadn't started by abolishing state monopolies, there wouldn't be economic

growth. If we hadn't won approval for new laws allowing the Government to license private-sector operators of public services and to privatize the state-owned enterprises, liberalizing telecommunications, ensuring equality of treatment for foreign-owned companies, and so on, we wouldn't be seeing the large amount of investment we're seeing, and none of the rest would have happened.

If we'd opted first of all for a political reform, I'd be up to my neck even now in the discussion of institutional policy. It's very hard to tackle issues relating to electoral and party politics because they directly affect the interests of congressmen. I was a member of Congress for many years, so I know what I'm talking about. However, it will have to be done.

I've always advocated a system of semi-proportional representation with constituency lists, similar to the German system. I think it's important. But we won't be able to introduce such a system until we've worked out how to ensure the population is represented proportionally in Congress. The authoritarian regime introduced a major distortion in this respect, when the so-called "April package" [imposed by General Geisel greatly increased the number of seats for some regions to the detriment of others. That's one issue. The Senate is examining a bill on that issue drafted by Senator Sérgio Machado, the leader of my party [PSDB] in the upper house. They're trying to tackle that very important issue.

In my view, to inject more vitality, more legitimacy into our democratic system, make it more trustworthy, we need an electoral reform to enhance the credibility of Congress. Since I was elected president, it's been absolutely clear to me that the way forward is to increase respect for Congress. Totally irresponsible statements are very frequently made about my conduct, sometimes by members of the opposition in Congress, sometimes by public prosecutors, members of the Judiciary and others, who accuse me of acting undemocratically. I have never acted undemocratically. I have consistently complied with the Constitution. I have always maintained a flexible dialog with Congress. Actually, from the electoral standpoint, and in terms of public opinion,

that very flexibility has damaged my ratings. People are aware of that. The president loses when he isn't publicizing Government investment projects or discussing practical matters that affect people's everyday lives but discussing institutional issues. I know that.

So why have I done things that way? Because previous attempts to change things without winning approval from Congress have proved a failure. They've never succeeded. The president has to establish a relationship of mutual respect with Congress, so that progress can be made. If not, we all get bogged down. That's what happened to Jango [President Goulart], Jânio [President Quadros], the generals, and [President] Collor. They all found themselves unable to move forward. As for me, I have a deeply held conviction that Congress is a fundamental part of the democratic process. Even though this conviction can make me unpopular, I persevere because one has to have long-term objectives. My objective is to ensure that democracy puts down deep roots. I think that's most important. If I gave up persevering toward this objective and took a short cut, I would find myself in trouble.

The issue you raise is frankly not a top priority for me, but it's true nonetheless that we need an electoral reform in order to have a better Congress. Don't forget I supported the movement to amend the Constitution so that we could adopt a parliamentary form of government, and I'm still in favor of that. But we can't have parliamentarism without a reform of the parties and the electoral system.

Gazeta Mercantil — *And what about this new state? What will it look like?*

President Cardoso — That's a very important question. When I took office, I said I would bring the Vargas era to an end. The state we have now arose basically as a result of two forms of authoritarianism: the form introduced by Getúlio Vargas with his *Estado Novo*, and the form created by the generals [who seized power in 1964]. That form of state, which the left wants to preserve even now, is the outcome of two profoundly authoritarian periods in Brazilian history. It's an omniscient, ubiquitous state based on a centralized command and control model that confused the interests of the state with the interests of the nation. Its

authors had no belief in the citizens — in fact, they didn't acknowledge the existence of civil society. So it's an anachronism. The state we have was created to serve private interests and the clientelistic interests of politicians — these two kinds of interests mingle incestuously in the state.

How are we working to rid ourselves of this and forge a new society? Let me focus on three directions of change. The first is that the state will stop producing, except in a few specific areas, and concentrate instead on promotional activities, regulation and oversight. That's why we're setting up agencies to regulate the energy, petroleum, transportation and telecommunications industries.

We're dismantling the vast bureaucratic apparatus set up in the past to control the state-owned enterprises that held a monopoly in all these sectors — or if they didn't hold a monopoly, they held the private sector in a vice-like grip, as for example in the electric power sector. Conversely, the private sector infiltrated the state, struck alliances with the bureaucracy, and took control of all key decisions. Society was suffocated as a result. We're dismantling the old structure.

The other day a TV news program said I was planning to shut down all the ministries. Not quite. It's important to get this clear. We can't reform the structure overnight. That's not the way to get things done. Congress is debating a framework for the creation of a public space that isn't owned or controlled by the state but operates under rules drawn up by Congress and by society. These rules will be stable rather than changing all the time in accordance with private interests entrenched in the state or with the dictates of patronage.

The old state is already on the way out. There are countless examples of this. CADE⁽³⁾ [the anti-trust watchdog] is one. We're replacing some agencies. We've shut down SUNAB⁽⁴⁾ because we don't control prices. Instead, we have CADE and the Economic Defense Secretariat as new instruments. We're not abolishing the state in the name of what

(3) The Administrative Council for Economic Defense.

(4) The price control and supply agency.

is often referred to as neoliberalism, a doctrine of *laissez-faire* whereby the market can do what it likes. Not at all, absolutely not.

This is a quite different matter: How can the citizenry control the public sector? We need clear rules. That's what is happening now. We're privatizing the state-owned enterprises and at the same time creating a system of regulation to prevent what has happened in other countries where privatization without regulation has led to the emergence of monopolies and sky-high tariffs.

The second major direction of change is in the social area. The state is investing more in this area but must also invest in close cooperation with society in health, education, social security and the countryside. In education we're decentralizing, transferring powers to states and municipalities. The Education Ministry is the regulator, issuing guidelines and policies. The universities will be given autonomy. Not the autonomy to spend and be reimbursed by the National Treasury. Congress is debating a bill to give universities the freedom even to decide on teachers' pay, but in exchange they'll be accountable to society for the way they spend their money. We're decentralizing education and transferring the power of oversight to society. We're transforming the health system significantly. We've shut down CEME⁽⁵⁾ and INAM⁽⁶⁾. We're reformulating policy on vaccination, although there's strong resistance to that move. We'll be deciding on what to do about the National Health Council.

There's a great deal to do, and as we change things we have to destroy the old clientelistic habits, the system of patronage controlled by parties and politicians. That can be done by defining priorities for budgetary appropriations. Caixa Econômica Federal [the national savings bank] is also changing as a result of the new housing finance system we've introduced. It took a long time, but we're now signing 500 contracts a day, without any interference by congressmen, mayors or ministers.

(5) The central agency that distributed generic medical drugs.

(6) National Institute for Food and Nutrition.

Gazeta Mercantil — *Is all that also part of the legacy of Getúlio Vargas, which you say you want to dismantle?*

President Cardoso — Yes. These changes boil down to reforming the behavior of the bureaucracy. That's very hard to do. The third direction of change involves the civil service reform bill now before Congress.

Gazeta Mercantil — *Will this process of reforming the state lead to a reduction in the volume of funds that the Government extracts from society?*

President Cardoso — No, it won't. Society continues to require the resources of the state. The crux is to decide what areas the state will fund. We must make more productive use of the funds spent on health, education, science and technology.

Gazeta Mercantil — *So there's no room for reducing the tax burden in Brazil?*

President Cardoso — I can't discuss that in the abstract. We've introduced a number of tax cuts. There are now only two rates of personal income tax. Corporate income tax has been streamlined. Value-added tax [ICMS] on exports and investment has been reduced. A special simplified tax system [Simples] has been created for small business. Many of the measures covered by what's commonly referred to as tax reform have been introduced already without waiting for a constitutional amendment [which requires a two-third majority in both houses]. The new state will need money. You can't rid Brazil of poverty without health and education. That requires funding. The same goes for land reform, which will also take a long time. It took 50 years to forge the state we have. It will take five to ten years to reform it. But the process has begun.

Gazeta Mercantil — *A fundamental prerequisite for economic stabilization is control of the public deficit. Given Brazil's social inequalities, is it possible to reduce the budget deficit to zero in the short run or will we have to live with the deficit for a long time?*

President Cardoso — We can't afford to run the risk of a recession or tighten so radically as to trigger a rise in unemployment. Even if

it takes longer, we must take this factor into account. The statistics on the consolidated public-sector deficit, which includes the states, show that there has been an increase in payroll. But the fact is that the Federal Government hasn't increased payroll expenditure. During my own term, payroll expenditure has decreased, even though no legislation has been passed to achieve such a reduction. Last year, we spent 1 billion dollars less on civil service pay. Similarly this year. We're controlling expenditure tightly. Capital expenditure and running costs have also been held level. The explosive increase in public spending has basically been due to the social security system. If we succeed in changing over to a contributory pension scheme — i.e. one in which an individual can retire only after contributing for a given number of years — the situation will improve considerably. Now that we've incorporated that suggestion from Raul Velloso, the issue of what to do about public pensions is much clearer. A bill is now before the Senate to create a new contributory system for all future civil servants and establish a fund for Federal assets and receivables in order to handle the transition.

Gazeta Mercantil — *No one expects the public deficit to be eliminated overnight. Even multilateral agencies don't advocate reducing the deficit to nothing all at once. The goal is a slow but steady reduction. Is that the objective you have given your economic policy-makers? Do you want to send the market a signal that the deficit will be reduced?*

President Cardoso — Exactly. We're persevering in this matter. We're constantly controlling and monitoring the deficit. We have put in place mechanisms of control. Staff hold regular meetings. There's no risk that the deficit will spiral out of control. Moreover, the Union still has a vast amount of assets. For example, an immense amount of oil has been staked out. These reserves of oil belong to the Union, not to Petrobrás.

Gazeta Mercantil — *Have you told Petrobrás?*

President Cardoso — Well... We're setting up a regulator for the oil industry, the National Petroleum Agency, and then Petrobrás will be told. We can use that as we like. Oil is an asset we've never considered selling off. Never.

Gazeta Mercantil — *Is it permissible to use that oil while it's sitting underground in the form of reserves?*

President Cardoso — Sure. It's money.

Gazeta Mercantil — *Could it be used to fund a securitization deal in the financial market?*

President Cardoso — Yes, of course. No one has ever considered doing so. Nothing is being planned in that regard. All I'm saying is that the possibility exists. If the oil reserves were used for a fund of that kind, then oh boy, we'd abolish the deficit all right. Another example is telecommunications. The sale of "B" Band cellular licenses alone is expected to fetch between 6 billion and 8 billion dollars. All it requires is that I sign a piece of paper. We're beginning to enhance the value of the state's assets, as you see. The conclusion therefore is that there is no sword of Damocles hanging over us. We run no risk of disaster provided we're competent.

Gazeta Mercantil — *I'd like to pick up on another issue, although I'm somewhat reluctant about this. When we last met, you expressed concern about the Government's ability to work out where to go next: you wondered whether the Government would have enough imagination to embark upon the second stage of the Real Plan. Do you think you have the answers now?*

President Cardoso — Yes, I think so. We did indeed find it very hard to work out what needs to be done, but we now have the answers in these areas. So much so, in fact, that I've been saying all along that the language Brazilians have to assimilate is the language of a new society. The economic question has been resolved but we're on the right track. Now this new society requires more justice, equality and freedom, a sense that progress is being made. More confidence and more efficiency are what we need.

Since the eighties, or more precisely since 1982, we've been suffocated by a lack of resources — inflation and lack of funding went hand in hand. This was torture: it profoundly disorganized everything, especially in the public sector. It led to a dictatorship of the Treasury, which wields the power to release funds. The Finance Minister was the

premier. All it needed was to withhold the funds and inflation resolved the problem of fiscal disequilibrium. No importance at all was given to managing the public sector in order to get things done. Ends were entirely subordinated to means. Stabilization has enabled us to begin organizing the financial area, particularly the budget and decisions on appropriations. Now the problem we're facing is that the funds are there but they aren't used to get things done. So the question of administration is now more important than the funding.

Between now and the end of 1998, Caixa Econômica Federal (CEF) has 17 billion dollars to spend on sanitation and housing. BNDES has 12 billion dollars this year. Banco do Nordeste has 4 billion dollars. BNDES is spending. Banco do Nordeste has introduced major changes and is disbursing funds efficiently to assist small farmers in the Northeast. It used to close 20,000 financing contracts per year. Now it's closing 20,000 per month. This is due to a new policy that centers on community development agents, who go out into the field to talk to farmers in loco and provide assistance there. CEF is closing 500 home loans per day and expects to reach 1,000 contracts per day in the second half of the year. As time passes, the population will reap the benefits.

There used to be Government departments that didn't administer or control resources not because they lacked funds but because they weren't properly organized, with well-defined priorities. This is the reason why we have the "Brazil In Action" program. It enables us to monitor project implementation and fund disbursement schedules.

Gazeta Mercantil — *Interest rates on home loans are still very high. Anyone who takes out a home loan with rates at this level will be saddled with huge debts in ten years' time.*

President Cardoso — That's no longer the case. Interest rates have fallen. The new rate for home loans is 6.5% per annum, equivalent to inflation.

Gazeta Mercantil — *One of the gravest problems facing Brazil is financial intermediation. In fact, there's no such thing in the case of home loans or farm loans. These funds are simply handed over to*

private-sector banks but they don't get through to the final borrower because of the high spread, which makes them unaffordable.

President Cardoso — That may have been so in the past, but it's less so now. There are customers for home loans now. Moreover, we've submitted a measure to Congress designed to introduce an important change. This will create two housing finance systems: one will be the official scheme, as now operated by CEF, but there will be a new, market-operated scheme as well. This new scheme will be similar to the one used in the United States, where securitization of mortgage loans enables banks to finance home ownership for the middle class over a thirty- or forty-year period. The key is to foster competition among banks by opening up the banking industry to foreign capital. In agriculture, too, profound changes have been made. We took two years to bring these about, but then interest rates fell. If you look at Brazil overall, I think you'll see we're on the right track.

Gazeta Mercantil — *Speaking of agriculture, it's universally agreed that land reform is a crucial necessity in Brazil. But it must be rational. Why is the Government lenient toward the landless movement, who want to impose a land reform by force and recently occupied Planning Minister Antônio Kandir's office in a violent manner that certainly wasn't acceptable to you? Why not be equally indulgent toward the homeless, the "car-less" or the "dishwasher-less"? Shouldn't the Government take tougher action against that kind of thing?*

President Cardoso — You forgot to mention the "patience-less". Anyway, the point is it's a political issue, not an economic one. There's been a kind of marriage between public opinion and the land question. We've reached the limit. Everyone thought the big issue in Brazil was land, but that's not true. The Government has adopted every possible measure to break up the vast estates that don't produce. Every one. In five or six years' time, the issue will be dead. In fact, it should have been dead since the last century. Nevertheless, the landless movement is organized around the idea that the big landowners are the real rulers of the nation and must be met head-on by confiscation. That's a mistaken view but it has widespread support from society. The support

is justified by extreme poverty in the countryside. Brazil has too been lenient with the big landowners, in fact. My Administration has broken with that tradition radically by effectively collecting land tax and introducing summary judicial proceedings to speed up compulsory purchase. These measures are more effective than mere confiscation. We recently adopted a tougher measure, which determines that when land is occupied by squatters no inspections will be carried out to ratify compulsory purchase. We weren't able to do that before now because it's only now become clear to society that the intransigence isn't on the Government side. I offered to negotiate with the MST(⁷). They were the ones who demonstrated intransigence.

You mentioned the occupation of Kandir's office by Contag [the farm laborers' union]. Those people weren't arrested only because the police force involved wasn't subordinated to me. If it had been, they would all have clapped in jail. On the morning of the day in question I issued orders to surround the building and arrest them all, but the police belonged to the Federal District [governed by the opposition Workers Party]. Those militants went too far. The public know they went too far. In political terms, it wasn't possible to take the measures I took until after that incident. Only now have we been able to set up what we call the Land Bank. We've brought BNDES in to handle the issue. We believe it's possible to distribute land without confiscating the large estates. There's plenty of land available at an affordable price. The problem can be resolved via the market. I expect the Government to take a tougher stand from now on.

(7) Movement of Landless Workers.

II. Interview with President Fernando Henrique Cardoso, Veja, September 10, 1997

WE'RE IN THE MIDDLE OF A REVOLUTION AND HAVEN'T NOTICED

Veja — *Imagine that this is the 7th of September, ten years from now. What is Brazil like?*

Fernando Henrique Cardoso — It's another country. But why? Because Brazil first started changing quite some time ago. When I was the Foreign Minister, and things were still in a jumble— and by this I mean both our inflation and also the disarray in government and the State — I travelled a great deal. Even back then I 'd say to people in other countries, "You're looking at Brazil all wrong, you're only looking at it from the point of view of inflation, and yet the country has changed." The real news in Brazil doesn't involve the government or the State, but society, society as a whole, the country. That is why the dynamic force that will turn us into another Brazil ten years from now is the populace, the Brazilian people, society at large — because of the way in which they are developing. Furthermore, the government and the economy are being thoroughly restructured, a process which is already showing signs of having become irreversible.

Veja — *Has society in general changed? In what way?*

Fernando Henrique Cardoso — What happened under the authoritarian regime? There was a debate among the opposition groups. Some people felt that it would be necessary to coach political organizations to break the State. Others, and I include myself, thought that strategy would never work. In fact a mutation was already occurring back then, a change which began by taking root in society and which eventually affected the authoritarian regime itself. At that point society invented agents, via the media. The media has a fundamental role to play

in our new society. The media invented the SBPC⁽⁸⁾, for example, and the role of the intellectuals. I myself was involved. Lula appeared⁽⁹⁾, as did unions and the more progressive business community. In fact, all these new agents were created virtually. None of this was the result of the dynamic of traditional politics or political parties. Nor was any of this produced because of the views of the prince, in this case General Golbery⁽¹⁰⁾, or because of the ideas expressed by Huntington⁽¹¹⁾, whom Golbery conferred with when planning the period of political decompression⁽¹²⁾. All these factors did have a role to play, but the dynamism of the process really came from another source: society itself. Further examples are the campaign for direct elections⁽¹³⁾ and the impeachment of Collor⁽¹⁴⁾. Society as a whole, the people, those among the populace who are organized, all know how to get moving. And even the segments that don't are beginning to be more influential. It is society that has been at the forefront of all the major changes over the last few decades.

Veja — *What about today?*

Fernando Henrique Cardoso — Today it still holds true. How does one change a society? People have what we could describe as a mechanical view of the process. They think changes always come about in the same way: one system is broken up by another. But that's not the way things happen. Sometimes things are already changing and no one notices. Those in the midst of the process of transformation aren't aware of it. Much later a historian or a political scientist or a political leader comes along and says that things have changed. *Ex post* one can say: there's been a revolution. While things are still changing, the old and

(8) The Brazilian Society for the Progress of Science.

(9) TN: Luiz Inácio Lula da Silva, a former metalworker and presidential candidate who heads the Worker's Party.

(10) TN: Golbery do Couto e Silva, a minister and a key ideologue during the military regime.

(11) Samuel Huntington, American historian and Harvard professor.

(12) TN: The period of political decompression was the carefully planned transition from the military dictatorship to democracy, between 1974 and 1984.

(13) TN: A massive popular campaign in 1984 demanding immediate elections.

(14) TN: President Collor was impeached for influence-peddling in 1992.

the new live side by side. And not all the old is bad nor all the new good. It is a fundamentalist mistake to see things that way. Everything is intertwined. Progress and resistance are traits of both the old and the new components. Changes no longer occur as described in the classic formulas of the 19th century, whose theories imparted the idea that groups must first organize, then acquire an awareness of the need for change, then produce agents to bring about the change, and then prime a social class to effect the change.... That doesn't exist anymore. Contemporary societies have social structures that are far less rigid than before. Change doesn't occur today simply because a powerful group decides to change. Societies change in a different way. I think that we already have all the ingredients for this new style in Brazil, a style which you can call anything you want, such as modern, for example, although that word means nothing to me. At any rate, it is a different structural standard for societies.

THE STRENGTH OF GLOBALIZATION

Veja — *You state that Brazil will be another country ten years from now. But will it be a better country?*

Fernando Henrique Cardoso — That is the question. Will it be better? For whom? We now stand at a new crossroads in history — not Brazilian history, but world history — and there are so many transformations underway that a number of concerns are being aroused. I personally believe this new country will display more capacity for integration, in other words, less exclusion. I do not agree with those who foresee a catastrophe in this regard. It will be a more democratic country, not so much in terms of the democracy that we have already conquered, but in terms of the new factors that are part of a democracy — more channels to allow society to express its views, a more permeable society, and more widely scattered decision-makers. Furthermore I believe that because of the strength of our economy and because of its physical and natural potential we are in position which means that in 10 years we may be a country that will be capable of integration without disintegrating. So you can see that my view of the country ten years from now is extre-

mely optimistic: I see more democracy, more inclusion and more skill at taking advantage of our natural conditions and opportunities.

Veja — *What is this new phase of history you've been talking about?*

Fernando Henrique Cardoso — The phase involving the famous process of globalization, for example. Globalization is not a value. It's not something you can hope for or that you should want or that you can love. It a force that is already underway as part of the expansion of the capitalist system throughout the world, causing disasters on the one hand and a number of positive modifications on the other. To understand this process one must compare it with other great moments in history. Today we are in the midst of a transformation which is equivalent to the period 500 years ago, at the time when commercial capitalism was being formed, and when capitalism spread throughout the world, the New World was discovered, and the Renaissance occurred. Today's era is an equivalent time, when changes are being built on the foundation of enormous transformations in technology.

Veja - *That was globalization back then?*

Fernando Henrique Cardoso — Of course. There are similarities today, but we have reached a different level. In our case there's the conquest of planetary and even extra-planetary space. And in fact, production systems have become integrated, but then there is the complication of the investment capital which has broken loose and is floating through the world. This last problem is an extremely negative factor in terms of the management of every one of our societies. I delivered a speech at ECLAC⁽¹⁵⁾ just after taking office, in which I suggest the ECLAC should focus on studying the effects of the worldwide financial system on the countries of the world, as there are no institutions to control the system. And each time the G7 meet I send each president a letter in which I call their attention to this problem. Some very timid measures have been taken. And why timid? Because no one really knows what to do. You have both a production system which is becoming highly inte-

(15)TN: President Collor was impeached for influence-peddling in 1992.

grated and also advances in telecommunications. So very large production units can in fact function at a worldwide level - with a part of the production in one country, another part in a different country and closed exchanges between them. This is one ongoing process. Another involves capital, not the investment capital that moves the production system but floating capital. One can control the production system. One can interfere in the decision-making process that governs production. But as far as that huge mass of floating capital resources is concerned, there is no country, there is no government, there is no Central Bank or even the BIS(¹⁶) in Zurich - nothing is capable of controlling that capital. There is a share of the capital in the new system which moves with tremendous velocity, and which is not controlled. I don't even know if it is controllable.

Veja — *Isn't this floating cloud of financial resources a reflex of the worldwide social security and pension fund crisis? Aren't people looking for savings that won't be based on the more traditional financial foundations?*

Fernando Henrique Cardoso — Yes, they're looking for the future. To guarantee the future. Let me give you a little armchair history lesson. Today we are going through both a Renaissance, and a Romantic period straight out of the 19th century, with its feeling of malaise. The Renaissance gave humankind a feeling of confidence. Then in the 18th century, the Century of Lights, this feeling was reinforced. Next came the 19th century, with its romanticism and malaise, its discomfort à la Byron. Whereas here, today, we are in the midst of a fusion of the two trends. On the one hand, a Renaissance or Enlightenment, those who believe in reason, and on the other hand those who feel anguish. People may not know how to identify the problem precisely, but they do feel that there is a great deal of insecurity in today's world. And there is.

Veja — *As a result of globalization?*

Fernando Henrique Cardoso — Yes, globalization does create insecurity. But there is something new, too. This insecurity can be felt not just in developing countries but in developed countries, too. Every

(16) Bank of International Settlements

country's agenda is beginning to look quite similar in that regard, although the objective situation is not the same. Some are prosperous, some are beginning to prosper, and others continue to be poor. Some are even part of the vast masses of those who have been excluded - to the extent that they have even been excluded from globalization, a fact which generates another type of anguish. But there is one type of anguish which is common to various types of countries. The keynote in France, Germany or Spain is similar to ours.

Veja — *The difference is that they don't have as many destitute people as we do.*

Fernando Henrique Cardoso — That is the difference. The countries I just mentioned enjoy a higher degree of prosperity, but feel the same degree of uncertainty others do. Because uncertainty doesn't stem from a lack of prosperity, but from the new type of prosperity we see in today's world. But despite the similarities, I don't think our fate is to repeat the European experience. I have never believed that you can replicate what other countries have done. History never repeats itself. Dependency theory ... the criticism levelled against it has been so unsophisticated that I don't even bother to reply. People interpret everything mechanically. This is what I used to advocate with dependency theory : Universal factors do exist, but take care, because the effect of such factors on different societies depends on the way in which we organize our domestic reaction to the factors. Now it's the same thing. You have universal factors, in other words globalization, lack of control over capital, the resultant anguish — both in Brazil and out there — and social security problems; but each country can organize its reaction differently. That is why I don't believe that we're going to go through the same things as Europe ten years from now.

FEAR AND UNEMPLOYMENT

Veja — *Are you referring to the unemployment and stagnation in Europe?*

Fernando Henrique Cardoso — Yes, I am. Let me tell you about a few of the things that make us different. First, the Europeans

really did have a welfare society. And people felt a positive tie to the State — which might also may have tied them down. Second, there is no more room for dynamic investments in the European world. So any innovation in technology leads to unemployment there. But that's not the way things are in the United States, in China, in Japan - and it's not like that in Brazil either. People in Brazil assimilate worries that don't pertain to us. To begin with, there's a kind of anguish which pertains to the wealthy. There isn't that much prosperity in Brazil; instead there's poverty. So around here we still have to include the State as a key factor in solving the problem of inequality. That is why all the talk of economic neoliberalism irritates me so much. We don't even have any liberalism here, much less the "neo" bit. What we have in Brazil is a "patrimonialist" system, with a privatized State. We have to rebuild the State, which is what I'm trying to do, so that we can deal with the problems facing the majority — the sickness, the poverty and the lack of education. That is why we will always have plenty of activity for the State in Brazil. If we were to let the market loose, poor Brazil! In fact, when it comes to this issue I actually believe the opposite of what people say I believe. What I actually believe is that if we give the market free rein, then poor Brazil! Not that there won't be any growth, but it will be growth cum exclusion. On the other hand, if we leave the present State alone, without any reforms, then I feel just as sorry for Brazil. Because such a State will never respond to our needs in a proper fashion, not in the economic or in the social spheres. Aside from all this, another difference between Brazil and Europe is this: our society is structured in a way that is more American than European. The class structure.

Veja — *Even in terms of the inequality*

Fernando Henrique Cardoso — ... in terms of the inequality, the slavery, the physical space, people's geographic mobility, their professional mobility. We have no reason to believe that Brazil will reorganize in such a way as to follow the tack taken by Europe, where unemployment has grown significantly.

Veja— *Don't you believe that inequality is the great buffer against unemployment in Brazil, in the United States and in similar*

countries? Inequality means you can pay less, exploit more, and extend fewer guarantees - which perversely enough, functions as a way to absorb manpower.

Fernando Henrique Cardoso — That may even be true. But I think the most perverse problem in Brazil is something else. How does Brazil make adjustments to its labor market? In a self-righteous, hypocritical way, like pharisees. Because those who are part of the formal labor market work under the rules of worker's legislation, which does guarantee a few rights but which also creates difficulties and obstructs mobility; so what has happened? The formal labor market has been paralyzed and the informal market has grown. Informal does not mean worse from an economic point of view. Data have shown that the greatest growth in income can be found in the informal sector. But the informal sector pays no taxes, which creates fiscal consequences. The reason unemployment isn't increasing in Brazil is because the informal labor market is growing, and that's not good. And it's not that the people who are part of the informal sector are worse off. The reason the growth of the informal labor market is bad is because it will affect the funding for social security and welfare programs. Informal labor markets are just a temporary solution.

Veja — *How does one jobs to offset the growth in the informal labor market?*

Fernando Henrique Cardoso — There are ways. For example, Brazil has a huge agricultural sector. In this regard the MST⁽¹⁷⁾ is right. Actually, not so much the MST, but the settlements and small family enterprise policy. That is why I have been giving so much attention to programs like PRONAF⁽¹⁸⁾, which was created by the government in order to provide financing to small family farms and businesses in rural areas. For quite some time — in fact the ten years that you suggested — we will have to put a great deal of emphasis on such efforts. And parti-

(17) TN: The MST is the Landless People's Movement, a group which fights for land reform and government-aided agricultural settlement.

(18) TN: Pronaf is an acronym which stands for the National Family Agriculture Program.

cular attention should be paid to the many types of job that arise thanks to family smallholdings. And that is where one needs the government again, because without government we're left with nothing. We need the government in an alliance with those that make up this new society — non-governmental organizations and other pressure groups in society. We have to come up with a number of different forms of activity, and ways to finance them, because a country as enormous as Brazil with our large population will never be able to find jobs for all our labor force in the segment of the economy which is becoming internationalized. And we have to be careful not to have two Brazils, one that is becoming an international player and one that gets pushed to the sidelines, one which prospers and one which gets stuck in the same place. The modifications in today's world do not all lead to uniformity. All countries are not going to be the same. There are factors that lead to differentiation, and this is where a phrase that may sound old-fashioned crops up again: "the national interest". Globalization has not revoked the interests of the nation. I personally favor a type of industrial policy that will allow those sectors which have already taken root in Brazil to produce and compete as part of the new world order....

Veja — *Industrial policy tends to mean protectionism or subsidies. Is that what you mean?*

Fernando Henrique Cardoso — No. The industrial policy I'm talking about means creating the technological conditions so that we can compete, while offering suitable financing at low interest rates but without subsidies. It's true that when people used to think of financial policy they meant subsidies and closed markets. But subsidies ultimately lead to poor capacity for technological development. In my administration things will be different. There will be no subsidies or closed markets; instead we'll have financial and technological support. What happened to the textile industry, which everyone expected to be bought up by foreign interests? It moved to the Northeastern part of the country and received support from the governments there. Government action, State action is part of all of this. All that talk about neoliberalism is nonsense/ just for show.

EXCLUSION IS DESTITUTION

Veja — *You have said that Brazil will have less exclusion ten years from now. Why?*

Fernando Henrique Cardoso — Exclusion is diminishing in Brazil, to the contrary of what one might imagine. It's all the hubbub about exclusion that is increasing - which is a great sign. When you have a society that is so full of divisions, split by a type of apartheid, then the issue is not apparent to that society. It remains blocked. Kept from emerging. The problem is apparent to those who look in from the outside, but not to those who are part of the society — because the issue is not politicized. When it is politicized, it appears. Today the question of exclusion has become a political issue. This is a sign that a process of inclusion has begun. And there are data to prove it. The stabilization created by the Real program pulled anywhere from 8 to 13 million people up and over the poverty line. Some statistics mention 8 million people, while others mention 13 million. The sectors in which there was a real growth in income are grassroots sectors — the informal sector and civil construction. I'm giving you economic examples but exclusion is broader than economic issues alone. Take education, for example. A survey has concluded that we have 2.5 million children who are not in school. That is a lot, but we had expected the number to be 4 or 4.5 million. Now we're preparing to launch some program whose objective will be to put every child in school. That will be a challenge for Brazil: to have every school-aged child in school. When more children are going to school you have a clear indicator for inclusion.

Veja — *If instead of the new concept of exclusion you substitute the old theme of destitution - is destitution increasing or diminishing in Brazil?*

Fernando Henrique Cardoso — It's diminishing.

Veja — *But in big cities it appears to be increasing.*

Fernando Henrique Cardoso — It's just like exclusion: when there's real exclusion no one notices. You only notice it when people

are beginning to be included in the system and then you feel irritated. The path followed by destitution, and this is a tragic thing to have to say, is well known. It was out there in the countryside when I was born. This was an eminently rural country, and 70% to 80% of the populace lived in the country. These figures have been inverted over the last half-century. When destitution was located in the countryside, people in cities didn't notice it, and so they long for the past and say, "Ah, back then there were no muggings!" or "Ah, the government's school system was so good!" it's true. Poverty hadn't moved to the cities yet. It began with the great migrations during and after World War II. But there were no schools or hospitals in the countryside. And why did people migrate? It wasn't because they were looking for work but because the cities seemed better: they had schools and hospitals. There are a number of studies which show this is true.

Veja — *Is this still true? Is it still better to live in one of São Paulo's outlying slums than in rural Ceará?*

Fernando Henrique Cardoso — No, it isn't. Now we're starting to see the opposite happen. Progress is spreading, and there are better opportunities in small towns. And the countryside isn't what it used to be. Rural areas were desolate places; there was no power. Right near here in Brasília everything was so precarious. My paternal godfather was from the state of Goiás⁽¹⁹⁾. The stories he used to tell me about Goiás were hard to believe, yet today its capital, Goiânia, has more automobiles per inhabitant than any other city in Brazil. The difference is palpable. Not that I have rose-colored glasses on. There are still a number of extremely serious problems; there are enormous urban problems, but they are different kinds of problems, such as drugs and violence. And I'm not saying there is no more destitution — I'd have to be insane to say that. But in proportional terms there is less. What's happening today is that destitution has become more visible, more shocking and less acceptable.

(19) TN: Brasília was carved out of the state of Goiás.

Veja — *Why is it less acceptable?*

Fernando Henrique Cardoso — Because in the past there was no way to deal with destitution and today there is. In the past, you had to accept it. Today acceptance is criminal. It's immoral. With the per capital income in Brazil today, which is almost five thousand dollars, if not five thousand already, there is no reason for so much destitution. Let me make myself perfectly clear. If you look at things this way, then today's situation is even worse than the past. We are more to blame than before. We, meaning society at large. I do not encourage, nor do I think it "politically correct" to fly the banner of destitution. Because that is a good way to avoid solving the problem. Because you feel that the problem is so huge that you can't do anything about it. And that isn't true. I think demagoguery regarding destitution is just as bad as indifference. If you want to solve a problem, you have to determine its limits. Where is the destitution? In the Northeast? In the outlying slums of big cities? And what can we do? If you don't take that sort of an approach you get nothing done. You make a speech and then go happily off to sleep because you've said you oppose destitution. That is self-righteous hypocrisy.

A COUNTRY OF MULATTOS

Veja — *Doesn't globalization reinforce exclusion?*

Fernando Henrique Cardoso — Not necessarily. Today there seems to be a refrain that goes, "Globalization is the same thing as exclusion." Why? It really depends on the State, on government, on society and on the domestic capacity to organize all the variables that come into play. I have already said that one of the fundamental factors which determine inclusion is education. Through education we provide domestic homogeneity, and such homogeneity keeps globalization from meaning exclusion.

Veja — *Globalization leads to streamlined production, and the logical consequence of that process is less use of labor. In other words, unemployment.*

Fernando Henrique Cardoso — But in Brazil unemployment has not grown. The reasoning is not so iron-clad. In some countries the effects are worse. The average country in Europe whose capacity to absorb investments has been exhausted, for example, will have to face a much worse problem. But I've already said that: Our labor market is much closer to the American model.

Veja — *Brazil is also similar to the United States in terms of our population's racial diversity. Has such diversity been helpful or has it been a hindrance to our development?*

Fernando Henrique Cardoso — It has helped. And it will help more and more, because the world of the future will be highly diversified. This is a matter which I think is worth repeating: Globalization is not homogenization. With globalization the production platform is homogenized but at the same time greater value is attached to differences, including cultural difference. Greater value will be attached to forms of identity, and one of the forms which our identity takes, the key form in fact, is diversity. More attention will be given to culture, in the anthropological sense of the word and in the specific sense of the word as well, meaning the production of music, theater and literature. There is a difference between us and the United States. We also had slavery, we had and still have Indians, but there is a major difference between us: we like having mixed blood.

Veja — *Do you really think so? In the 19th century the predominant thinking in Brazil was that mixing led to racial degeneration.*

Fernando Henrique Cardoso — Of course. In the 19th century they wanted to make us whiter, so they brought in immigrants to lighten us up. When there was slavery there was segregation but a phenomenon occurred which we could call the "browning" or cultural "mulatization" of Brazil. Darcy Ribeiro⁽²⁰⁾ talks about this all the time, and before him Gilberto Freyre⁽²¹⁾ used to, too, although in a rather romantic way

(20) Darcy Ribeiro: recently deceased anthropologist, educator, writer and politician who wrote *The Brazilian People*.

(21) Gilberto Freyre: renowned sociologist who wrote a famous book called *The Plantation House and the Slave Quarters*.

which denied the violence between blacks and whites. I am not denying the violence. A study has shown that you're most likely to be poor in Brazil if you're a black woman with children and no husband and if you live in the inland areas of the Northeast. So on an existential level there is some mystification involved when we say we like the fact that we're all different. But on a cultural level we do like it. We boast that we're the country of Carnival, of African religions....

Veja — *In the United States blacks have made great strides up the social ladder as a result of government policies. Isn't this experience applicable to Brazil?*

Fernando Henrique Cardoso — Such advancement has been more successful in the United States than in Brazil — and by that I mean deliberate advancement led by the American government and Judiciary at a number of different levels. People in Brazil are horrified to think of a State which privileges specific groups. If you talk about affirmative action for blacks or women, people will react very badly. People prefer to let things evolve naturally, and that takes more time. In Brazil today our task must be to attach greater value to diversity. And we've been doing that. Everytime I get a chance I talk about these issues. We have helped reinforce the idea that Zumbi⁽²²⁾ is a national hero, we've set up a commission of black Brazilians in the Ministry of Justice, and the Ministry of Education has adopted the policy of deleting all bias against blacks, women or Indians from textbooks. We have to admit that the United States has been victorious in pursuing their policies. If we're not in a position to use the same methods here, for example by adopting effective integration policies, then we must work on cultivating greater awareness of the need for integration. We want to show that we are a mixed-blood country and that that is good.

(22) TN: Zumbi was a runaway slave and warrior who helped to build up a small black nation-state within Brazil which lasted for almost two centuries.

IN SEARCH OF HAPPINESS

Veja — *You mentioned the double reaction to the new world order, in other words the feeling of malaise which survives side-by-side with enlightened optimism, and curiously enough, or perhaps symptomatically so, it is generally the most favored classes in society that feel the optimism.*

Fernando Henrique Cardoso — No....

Veja — *The greatest enthusiasts of globalization come from the business community....*

Fernando Henrique Cardoso — The banks are losing ground
....

Veja — *The malaise is most accentuated among the middle class, the wage-earners....*

Fernando Henrique Cardoso — In a survey of people's view of the future - people were asked if they thought their own lives would be better than their children's live — the optimism was increased in the lowest and highest classes. Most of the doubts were found in the middle. So on the basis of this survey we might conclude that the middle class does in fact feel the most anguish. And for good reason, since the changes have led to a relative loss in status for the middle class. That isn't good. It is good for the country to see that the poor are making progress but it's not all good for those who suffer a relative loss in status. Furthermore, the middle class is more aware, it reads more, it keeps up more — and it's more frightened that the problems in other countries might also occur here.

Veja — *But at any rate, if it is true that the greatest enthusiasts are those who are doing best, including countries that are doing best, then the next question must be: Isn't globalization a new form of domination?*

Fernando Henrique Cardoso — Everything is a new form of domination. I have no doubts as to that. The problem is how to live with the situation, how to stand up to it. And the answer is: democracy. In

light of the new types of economies the challenge becomes the need to broaden democracy. The major issue facing us involves building a more radical type of democracy. If you ask who can be called progressive today, the answer is: Being progressive means being part of the attempt to make create a more radical democracy. Who are today's progressive thinkers? Eric Hobsbawm has done some thinking. Bobbio, too. Anthony Giddens has done some thinking. And what line did they follow in their thinking, irregardless of their intellectual origins? The line that deals with how to broaden democracy. The other day I read a fascinating article in the Italian newspaper called *Il Sole-24 Ore*. It was the summary of a speech by the leader of the former Italian Communist Party, Massimo D'Alema. In his speech he returns to Gramsci. Gramsci wrote a famous article called "Americanism and Fordism" in which he criticizes the left by saying: the source of all leftist thought, all the left-wing, even social-democracy, is Marxist-Leninist and statist. Gramsci injects what we would now call liberalism into the discussion — the values of freedom, dynamism and individual accountability. And he says, "We simply cannot have people in Italy retiring on a pension at the age of 25."; and "With these corporatist groupings no progress is possible." Gramsci! So all the progressive thinkers today are "gramscians", whatever their roots. They help to create a more radical democracy. But how does one become more radically democratic? What does that mean? It means letting more people participate in decision-making. It means making the State more permeable. There are other elements to this new progressive thinking. One must incorporate global dimensions, and that means worrying about the environment. Now matter where you look, the question must be, "What can be done to attain well-being?" We have to bring up the issue of happiness. How can people be happier? They can't be happy when there is pollution or when nature is being destroyed. They can't feel happy when their children's future is being destroyed, and that is where development comes in: we have to find proper ways in which to grow. How do you provide more access to information? How do you increase competition? These are the questions. In answer to your question, it is true that globalization is a new form of domination. Therefore we need a radical critique of globalization. It would

be pathetic to think, “Oh yes, everything’s being globalized, how nice!” That isn’t my perspective at all. Things are becoming globalized, and that fact changes life in a number of ways, with results that can be good or bad. We need a critical discussion of globalization, but such criticism shouldn’t begin with a defense of the old ways, such as “Let us close off the economy” or “Let us now build a bureaucratic State.” That is pathetic. Roberto Freire⁽²³⁾ has been saying some interesting things. I liked an interview he gave recently. It’s no coincidence that he is a gramscian former Communist, just like D’Alema.

THE DOCTRINE OF BACKWARDNESS

Veja — *Who criticizes the government in an intelligent way?*

Fernando Henrique Cardoso — Roberto Campos does, but for the other side. I don’t agree with him. He’s a liberal. He really does want the State to shrink. To regulate less. The other day he criticized me. He said I’m not a “convert”. He’s right. I really haven’t been converted to the view that the State should not regulate. What are we actually doing, in practice. We’re creating regulatory agencies. We are privatizing and creating regulatory agencies. We’re creating a new State. And when I mention regulation I am also thinking of the radicalization of democracy. . Oversight really means the radicalization of democracy. Oversight via agencies in which society has a voice, and not by authoritarian means — although, curiously enough, people always seem to be wanting me to be a dictator....

Veja — *Dictator?*

Fernando Henrique Cardoso — Yes. When people come here and say, “Why don’t you do it?”, or “Do it; you’ve just got to do it!” It’s just part of the nation’s sub-culture.

Veja — *People aren’t necessarily asking for things to be done in a dictatorial way.*

(23) TN: Roberto Freire, a member of Congress, is a former communist and the head of a small left-wing party.

Fernando Henrique Cardoso – They want me to get involved in matters that don't pertain to the Executive Branch. Like when that Pataxó Indian was burned alive⁽²⁴⁾ — a terrible thing to happen. “Why don't you put some pressure on the judge?” Or when the Encol company went bankrupt⁽²⁵⁾. “Why doesn't the government solve the homeowners' problem? You can do it! Issue a temporary executive order,” they say. Imperial will must prevail. People unconsciously want a dictator.

Veja – *Does anyone else criticize the government intelligently?*

Fernando Henrique Cardoso – Roberto Freire's views are interesting, and not because he agrees with me but because he sees that something new is happening in Brazil, and because he does recognize that we're doing something new. It does no good to say, “That's the PFL⁽²⁶⁾ party line; that's the PPB⁽²⁷⁾” or “The government has surrendered to the PFL; that's a PPB proposal”. Those are just illusions. You won't find any proposals that have been rubber-stamped by anyone. I once was present at a tenure commission's meeting when Paula Beiguelman, a professor at the University of São Paulo who has written a book on the schools of thought during the Empire period, was defending her tenure candidacy dissertation. She stated that Joaquim Nabuco represented progressive thinking while Bernardo Pereira de Vasconcelos was the consummate conservative thinker. And then Sérgio Buarque de Holanda, a very wise man, asked, “Dr. Beiguelman, have you read Burke?” Burke is the great English conservative theoretician. “Do you really think that what all those Brazilians back then did or thought had anything to do with Burke? Because the conservative school of thought is a serious matter. You might disagree with it, but it has strong underpinnings.” Whereas in Brazil, Sérgio Buarque concluded, our thinkers weren't really conservative, “just backward.” To a tremendous extent

(24) TN: Four young men threw alcohol on a sleeping Pataxó Indian and set him on fire “as a joke”. Although he died, the judge dealt very leniently with the culprits.

(25) TN: Thousands of people who had bought apartments from the Encol Construction Company lost their investments.

(26) PFL: Liberal Front Party.

(27) PPB: Brazilian Popular Party.

our problem is just that: We're backward, we've fallen behind. Our problem is not whether or not we're left-wing, right-wing, liberals, social democrats or conservatives. Our problem is that we've fallen behind. We need an *aggiornamento*. A lot of people have realized that fact, and are quite vocal about it. In the press, too. And sometimes they find fault with our backwardness, the government's backwardness – the government's doubts, the commitments the government sometimes takes on. I might even occasionally feel irritated, but in philosophical terms I agree. I think I've contributed to making progress. I think that any critical reading of political activity today, for example, can no longer ignore what we're doing. Anything new needs to be examined and then the question has to be, "Can we innovate even more?" That's the right question. The right thing to do is to point something out and say, "That isn't innovative. That's backward." But that takes a dialogue.

Veja – *And isn't there any dialogue?*

Fernando Henrique Cardoso – The mental attitude of the opposition, whether it's on the right, on the left or middle-of-the-road, doesn't include any understanding of the fact that the radical essence of democracy – à la Habermas, if you will — is based on airing issues in public arenas and then thrashing them out, going to the root of issues, trying to convince others Unless you understand that, you cannot understand how to produce modern political thinking on the left. Actually I don't like the work "modern", but basically I mean policies that will make things move forward. And I would go farther: Progressive thinking has to be optimistic. Albert Hirschman has written an admirable book on reactionary rhetoric in which he states that pessimists are conservative: "Plus ça change plus c' est la même chose", "Give up your rings so you won't lose your fingers" It's all rhetoric against change. That is the essence of conservative thought. The criticism leveled against the left is conservative. It reflects the belief that nothing changes. Or the wish to have nothing change. Why? Because since the critics are not essentially democratic, and thus do not recognize that you have to have a public arena, which means room for disagreement, they conclude that only they themselves are capable of change. Because they are fundamentalists. "If you're not my friend you're my enemy." It's a

fundamentalist view – pessimistic regarding day-to-day affairs and optimistic when it comes to the eschatology of things, way down the road — once they've taken over. That isn't democratic.

Veja – *And as to the intelligent critics — aren't there any others?*

Fernando Henrique Cardoso – There are a great many others. The other day I read a book by Augusto de Franco, the President of Citizen's Action, the group started by Betinho⁽²⁸⁾. Franco used to belong to the PT⁽²⁹⁾. The book is interesting; it's called *The New Party*. I agree with some of the points he makes regarding the meaning of the radical nature of democratization. But there's a problem that hasn't been solved, that no one knows how to solve: even though societies change via mechanisms which they themselves create, even though the radical essence of democracy requires more interlocutors, public arenas, discussions, the incorporation of new topics - like the environment - despite all of the above, any discussion of the division of power has no choice but to include political parties. Which means you have no choice but to ask the next question: which party? What kind of party is truly capable of being consistent with a radically democratic society? A party that has no hegemonic aspirations nor the petulance to believe that it alone can save the day? That understands the need to discuss alliances? Anyone who opposes the formation of coalitions is essentially anti-democratic, and that brings us back to Gramsci again. I have always supported the idea of alliances. I don't believe in any party which claims that it can, all on its own, lay new foundations for the State, society, and the happiness of all.

WHICH PARTY?

Veja – *But if these parties, like the PT, shed their fundamentalist side, won't they cease to exist?*

(28) TN: Betinho is the late sociologist who founded Brazil's first major grass-roots movement to combat hunger.

(29) The PT - the Worker's Party.

Fernando Henrique Cardoso – They will, I agree. But the PT wasn't born that way. It got that way because it proved incapable of adapting to the winds of change. I can't believe you can have a democracy in a society as complex as ours without parties. You can't govern within the framework of parties alone, but you can't govern without them, either. But what party? This is an issue that hasn't been dealt with yet – how such a party would function in terms of its proposals, its organization, everything.

Veja — *You are proposing, or imposing, a cruel dilemma as far as the PT and similar parties are concerned. Either they go on as is, and never get anything practical done, or else they shed their fundamentalist nature, and cease to exist.*

Fernando Henrique Cardoso – If they cease to exist, they can create another party. Why did they let themselves go so far? I don't think the death of a party is particularly important in historical terms, as long as there's another one. Some adapt. Look at what happened in Europe. The parties have changed. What happened to the Labour Party in the UK? It changed, quietly.

Veja - *But didn't it become disfigured in the process? It's rather hard to grasp just what the Labor Party is these days.*

Fernando Henrique Cardoso – It's actually quite hard to grasp just what the Left is these days. But that's the way things are. Giddens, whom I quoted earlier – today he's the director of the London School of Economics, a professor in Cambridge – has an interesting book called *Beyond Left and Right*. There's no point in remembering what the Labour Party was like in Attlee's time. But that's how we think in Brazil. The European Socialist Parties are thinking about the radical essence of democracy, and about how to keep prosperous. In France this isn't quite clear yet, but in Spain the socialists from the PSOE⁽³⁰⁾ have managed to adapt and the Portuguese socialists, too. In Italy, the former Communist Party has joined the government in an alliance with Prodi, a university professor. He's someone who thinks about the world. I asked him

(30) PSOE: Spanish Socialist Worker's Party.

what he was going to do with Maastricht, because Maastricht is a real headache in Europe. Maastricht means putting things in order, and whenever you put things in order someone, or many someones, always lose. Prodi answered, "We have no alternative. Around here, if there's no Maastricht, then we won't put our economy in order." So you can see that Italy's political leaders are in fact tackling the new issues. In Brazil we really have to make an effort to get people to tackle new issues. In order to make any progress we would have to free ourselves of our backwardness; we would have to have less inhibitions about talking things out. I think it is just pathetic that the head of the opposition has not talked with me. I'm not talking about a private chat but about a real discussion of the issues without making use of rhetoric. They keep saying, "They're giving away the Vale do Rio Doce Company(³¹)," "They're selling off Brazil's sovereignty." They don't know what they're talking about. They don't know what conditions prevailed during the privatization of the Vale company, nor why. "PROER(³²) was created to save bankers." It's incredible that there are people who won't sit down with me at given moments in time – not to agree with me, but to ask why something or other was done, so that they can become informed critics. If the country doesn't see the opposition taking the reins in its hands, it won't vote them into power. We need to have a realistic utopia, to use an expression I'm fond of because it's a paradox, a phrase Giddens also uses. We have to have one foot planted firmly on the ground and one eye on the future. We need to understand that globalization exists but that exclusion does, too. And don't think I can solve everything just because I want to. The talk about "political willingness" is another mistake. It's just asking for a dictator again. "You can do it if you've got the political will to do it." Really, this is just an authoritarian, voluntarist view again.

Veja — *If the PT were in power, would it achieve what it proposes?*

(31) The Vale do Rio Doce, a huge mining concern, was recently privatized.

(32) TN: Proer is the government program to restructure the banking and finance systems in Brazil.

Fernando Henrique Cardoso – No. Govern by proposing what? Isolating Brazil's economy from the rest of the world? Increasing the activity of the State? Maintaining privileges? It so happens that in Brazil the segment that claims to be progressive has ended up defending backwardness. A sort of myth has grown up around the State. The State, at least according to the left's theory which used to propound the existence of the class struggle, was seen as the expression of the dominant forces. In our case, it was also the expression of authoritarianism — and not just military authoritarianism. Our State was formed within an authoritarian framework, which is why it has incorporated certain groups and not others. I have always said we don't have a Social Welfare State but a State in which people fare quite badly, not well. To defend such a State is to defend a State of Social Malaise — a State which impedes generalized access to education or health care, a State which provides sumptuous pensions to some and pittance to others. Most pathetic is the fact that those segments which like to think of themselves as progressive have joined forces with the most backward groups in Congress to block any change. And then they go on to accuse the Government of being linked to the backward groups! It's all topsy-turvy. If we examine the vote on each issue in Congress, we see that the left — the "Left" in quotes, or what one calls the left in Brazil — voted against the Fund for the Promotion of Teachers, for example. Why? What is the underlying logic here? It's the logic of petty politics. They want to destroy me but they hurt the country instead.

Veja – *But isn't that what the opposition is supposed to do? Attack?*

Fernando Henrique Cardoso – But not attack our country.

ON BEING A SOCIAL DEMOCRAT

Veja – *Do you still feel that you're a Social Democrat?*

Fernando Henrique Cardoso – I do. Let me explain. And this is where Gramsci comes in again. Gramsci used to say, "Social Democracy has the same root as Leninism, via the State. Today we have to

think in terms of a new social democracy — one that does not speak the language of closed corporatist groupings, or the language of a state bureaucracy, or any language that strikes against the interests of civil society. What does that mean, in practice? First, if market forces are going to take over many sectors of production, then we must regulate. And regulate in such a way as to ensure that society will be a part of the regulatory effort. We need to concentrate obsessively on the universalization of services and public policies....

Veja – What does “the universalization of services and public policies” mean?

Fernando Henrique Cardoso – It means meeting the needs of the greatest possible number of people. One cannot confuse democracy with the protection of certain closed corporatist groupings. Very often when something is supposedly said on behalf of the people and democracy it is really being said on behalf of the interests of a single group. Of course it is legitimate to seek to protect the interests of individual groups, but that should never take the place of an obsessive struggle to ensure universalization. All this is very difficult, because people take up the banner of their own interests as if they were universal interests. And all this involves a struggle. When we say, “We need universal access to education,” this includes breaking up those interest groups with deep roots in Congress, in mayors’ offices, in the teachers’ corporatist grouping. So it is in fact a struggle, but since this struggle is not being placed in an ideological perspective, as it should, then it seems like persecution. All of those who feel they are being harmed have joined ranks against the government. The only thing that unifies people today is the government — if you’re against it. When threatened, those who wish to hold on to their privileges protest by criticizing the government, which they claim is not doing its best by all. In fact it is just not furthering the interests of that particular privileged group.

Veja – What can be said to best characterize social democracy today?

Fernando Henrique Cardoso – The problem of social democracy is its relationship with the State. Social democracy must reevalua-

te the notion that only the State can get things done. As far as the new social democrats are concerned, it is not the State that gets things done. It is *also* the State that gets things done. There has to be leeway in government so that non-government forces can also participate in political decision-making, in controlling and assessing policy. Let us say that a program is set up, say in the educational field – such as the distribution of televisions to 50,000 schools⁽³³⁾, which we in fact did. Once done, the program needs evaluation to see if it is working. However, it's not a question of checking to make sure no one is carting the television off to his home. Of course, that too may happen and must be fought, but that's not the point. The question is: What is the effect of the program on education? Is the program working? Public policies require constant evaluation and we are just not equipped to do so. Therefore others must collaborate, side by side with the government. Non-governmental organizations can step in, or the Congress – we need a plurality of types of oversight. A social democracy should include all of that. So in that sense of the word, I am indeed a social democrat.

Veja – *Your view of a social democracy includes a strong emphasis on the efforts of society at large in opposition to those of the State, a regulatory role, a role as a channel to guarantee universal access.... In partisan terms, what might the opposition be like? What party might oppose such views, for example, on behalf of the right?*

Fernando Henrique Cardoso – The right prefers a direct relationship with the State, although they talk about the market – but what right are you talking about? I ask myself that: Who is on the right?

Veja – *Exactly. Who would that be?*

Fernando Henrique Cardoso – We don't have any real right-wing thought here....

Veja – *Is Paulo Maluf a representative of the right?*

Fernando Henrique Cardoso – Maluf once said that he is social democrat.

(33) TN: Televisions and satellite dishes were distributed for distance education purposes.

Veja – *Talk is cheap.*

Fernando Henrique Cardoso – I don't want to become personal, but look: there are some practices that are inconsistent with forward-thinking views. What might those practices be? Confusing the public and the private spheres. The major problem afflicting our conservative thought is that it is rooted in "patrimonialism", which confuses the public and private spheres. As the President I don't think it would be proper to quote specific examples, but in Brazil we have people who range from those whom I consider to be legally incapacitated – because they don't know what they're doing and can't even perceive the separation between the public and private spheres, like the feudal overlords in rural districts — to those who are more sophisticated, using the most advanced means for their corruption. Our conservatives are shot through and through with opportunism. What Sérgio Buarque de Holanda used to call backwardness in Brazil is opportunism. And in the most perverse sense of the word, not in the normal sense of handing out positions in government to those who support you – that is Weber – but in the perverse sense of using those jobs for your special interest groups, or for personal purposes, or to benefit your family. There are two issues I haven't mentioned, which I feel are key when considering democratic radicalization, in other words, the new left: violence and corruption. These are not classic themes in the thought of the left. To the contrary, such themes were considered to be petty bourgeois moralism. Today violence is on the agenda of insecurity for the contemporary world. There is no violence because one is poor; violence is much broader than that. The topic of drugs, together with the topic of violence, is an issue of contemporary insecurity which has not been made political – and yet it must be. Not politicized in the worst sense of the word – but politicized in the sense of being placed on the public agenda.

THE LEFT AND THE RIGHT

Veja – *What does being right-wing or left-wing mean? Does that make sense?*

Fernando Henrique Cardoso – It makes sense if the main thrust of what we're saying is progressive thought or forward-thinking versus conservative backwardness, and as long as progressive thought is understood to mean defending the radicalization of democracy, the universalization of access to social and economic goods, etc. What is really under discussion? Why is the left being questioned? The left is being questioned because in the past it felt that the crux of the matter was the need to change control over production. To the degree that the victorious left or real socialism in the Soviet Union and then later in China nationalized the means of production, the left took on this statist face. Then the left became impregnated with the notion that the main thrust should be just that — an enlightened State bureaucracy. This notion began progressively to take the place of the notion of the class which according to Marxism was meant to liberate humankind. Such a global view included equality, but as the consequence of a form of appropriation. Today no one has a proposal for a consistent model for the organization of production under State control. That's what the crisis of the left is all about. And it's contagious, affecting social democracy and the PSDB(³⁴), too. Today the question being asked is: is expropriation worthwhile? The only people who still uphold this idea are those who favor land reform, because they still feel that the breakup of property is the key to social wellbeing. And that makes sense, because they're dealing with a 19th century problem. As far as all the other issues are concerned, new solutions are necessary. Those are the reforms that I have been concentrating on. The other day someone told me about a poster that said, "No reforms except agrarian reform". The poster was signed by the CUT(³⁵). Do you see what I mean? A left which opposes reforms. Which does not think in terms of transformations. Therefore, it's not a left. I represent the left.

Veja – *What are they then?*

Fernando Henrique Cardoso – They, who call themselves the left, "left" in quotation marks, are tied to the State and don't want the

(34) PSDB: Brazilian Social Democratic Party.

(35) TN: The CUT is a Federation of Trade Unions.

State to suffer any reforms. But in so doing they condemn the State to death, because society will not stand still. You cannot hold down the forces of progress within a society. Instead the State itself will come to a halt. What happens in so many states in Brazil today? They spend all their revenues on payrolls and social security and the little that is left on interest payments. And the "left" doesn't want to approve the very reforms that would provide the state governments with the means by which to recover. This "left" doesn't think. It's biting its own tail. It won't allow the State to be set free. And the "left" says it opposes neoliberalism. In fact, it is laying the foundation for the future existence of neoliberalism, because the State is going to go bankrupt and only the market will be left. Which means that, in practical terms, the "left" is actually neoliberal. It's pathetic! It's a paradox! If anyone belongs to the left, it is I, since I follow a line that espouses changes and reform. They're the neoliberals. I am a soldier in the struggle against de facto liberalism.

THE PRESIDENCY

Veja — *What does being a president mean, today? What can a president do, and not do?*

Fernando Henrique Cardoso — Presidential responsibilities have undergone a renewal. Or rather, those of Chiefs of State and Heads of Government in general, including kings and prime-ministers, throughout the world. Such renewal is a requirement in today's world with its mass societies and mass media. To begin with one must ask what happens to the parties. They still represent society, but only in a fragmentary fashion. Their propositions no longer encompass global concerns. They do manage to rally those with shared interests, which I find legitimate but insufficient. They should be capable of rallying people around shared values, yet rarely do so. This brings us back to the problem of the crisis of the left. I want ideology. To the contrary of Fukuyama, I am most anxious to have ideologies, or in other words: values. To the degree that the old values have lost their validity in the left without being replaced by new values, we have been left the poorer. We

have no ideological foundation. Without any ideology, without up-to-date values, parties are not capable of coming up with proposals which will be valid for all of society. So then, what happens? The role of the President stands out. The President is forced to rally people symbolically — to a degree that is not really reasonable — and to present and represent values to society. Why was I elected to be President? Because I, or my candidacy, or what my candidacy represented, aggregated a number of values which constituted an alternative. That is the real reason. To carry out this role properly, this responsibility to rally people, one must be...how can I put it?...convincing, persuasive.

Veja – *But convince whom? Of what?*

Fernando Henrique Cardoso – Convince society that it is headed somewhere. Why am I giving you this interview? Because I think it is one of my responsibilities. It's not that I'm trying to convince the voters. That isn't how it works. But I have to let people know that I am headed somewhere. That is not the type of power which seeks control: it's symbolic, but it is important – and it is a type of power. Even the most concrete type of power, the power to impose one's will, is never as great as it might be unless it is linked to the power of persuasion. So the President's power is a variable type of geometry. If you put someone in the presidential chair who cannot persuade others, then he will have much less power.

Veja – *You're talking about a type of power which is educational, almost virtual. And what about real, traditional power, the power to issue orders, to fire and hire people?*

Fernando Henrique Cardoso — I abhor that. That kind of power is part of the past; it's a power that does not persuade, that involves no cultural hegemony, as Gramsci would say. In fact it's the power of the conservative. The power of the conservative comes from ties to special interests and from patronage. In a country such as ours we can no longer put up with a president who draws his power from such sources. It is petty, much too petty. I have power, but we must qualify that power. Traditional power, for example that of a president, is insignificant compared to what it once was, and it tends to decrease. It is limited

by Congress, the courts, public opinion and the bureaucracy. I can't just say, "I want this or that to happen" and then think that it will happen. Almost no one says "no" outright to a president of the Republic, yet there is passive resistance. Silent bureaucratic resistance, or else legal obstacles, or the blockade mounted by using technical means....But the president does hold a privileged position in the political system. Or rather: in the cultural-socio-political system. The president has ample access to society, via the mass media. So there is this other side of power – a side which is virtual but which nevertheless is enormously important.

Veja – *Who wields presidential power well in today's world?*

Fernando Henrique Cardoso – I pay a lot of attention to this question; I've read a great deal about Clinton and Mitterand. Clinton is very good at carrying out the responsibilities I've described. Mitterand was equally good, but in a "majestic and silent" way, very much the De Gaulle type of model. In Brazil people sometimes want to force me to be the same, but I just can't; our cultures are too different. Can you see me trying to be majestic and silent? I would fail. They've already criticized me because I'm always giving speeches or interviews. The only ones that can stand silently and majestically by, despite today's situation in Brazil, are those who belong to the right, because the right's power does not depend on the word but on the pen. Another person I find admirable is Felipe Gonzalez. What did he do? He rallied people around values constantly: he spoke out, he took a stand, he shattered

LACK OF UNDERSTANDING AND WHINING

Veja – *Despite your famous good humor, it has been noted that your comments lately, including this interview, seem to be permeated with the complaint that you feel misunderstood....*

Fernando Henrique Cardoso – That's true.

Veja – *Has the presidency made you bitter?*

Fernando Henrique Cardoso – Not bitter. Irritated, perhaps. And I'll tell you why: I can't believe people don't see; it just isn't possi-

ble. I simply cannot believe they don't see that without the reforms I mentioned they are strangling the State. And reducing the possibility of universal access to society's assets. Everyone is talking and no one is listening. I don't want to deal in generalities, though. My dialogue with Congress is intense and constant, for example. But....Can't people see what is happening throughout the world? Don't they at least see what I'm trying to do?

Veja – *Aren't you demanding unanimity?*

Fernando Henrique Cardoso – No. Of course everyone would love to be understood by everyone else, but that's not the point. I would like the intelligent people to understand. There are so many intelligent people with blinders on.... It's incomprehensible. I see former colleagues of mine from the university writing such senseless drivel, with such pomp and precious academicism that I no longer have the patience to read on. My complaints about being misunderstood aren't about everyone in general. I can't complain about our nation. I can't complain about the people. We are controlling all our expenditures strictly, I haven't given anyone a raise yet, and yet I still enjoy the people's support. Even the Congress – it approves the Administration's programs, one way or another. My complaint regarding lack of understanding is aimed at those who should understand. Those in the more academic circles, in the vanguard of politics. It is to them that I say, "It cannot be!" Although I do also understand that things happen that way because people don't want to give up their beliefs. The world changes and they want to hold on to their old views. Wasn't it Marx who said that awareness always comes later? My complaint is that it's taking too long.

Veja – *We began this interview with a reference to Brazil's independence day, the 7th of September, and we would like to end on a similar note, but this time by looking at the past. If you look back at the 175 years since independence, do you think Brazil has done a satisfactory job?*

Fernando Henrique Cardoso – Objectively speaking, I do. Japan may be the only country that has grown and changed as much as Brazil during the same period. Angus Maddison, from England, wrote a

study showing just that. Of course, if you're talking about social integration, we certainly have not done a satisfactory job, nor in terms of inclusion, nor equality, certainly not. The well-known "social debt" is still there. And at this point, once again, the left has a responsibility and some force. In a country with the degree of inequality that we find in Brazil, a left-wing is necessary, as long as it is modern, as long as it moves things forward. Because solidarity, solidarity as a value, is indispensable. It's quite interesting to see how broadly the word "community" is used today, even in situations in which it is not, in strict sociological terms, really appropriate. The feeling of community, of going through the same situation together, is highly valued in today's world. The difference isn't really objective, and it's not so much a question of whether or not one is rich or poor, but instead a question of having experienced the same situation, which means people have something in common, they share a feeling of commonality, and those are ties that bind. When people talk about the concept of "community" that is what they mean: sharing the same experience, being together. And this feeling of being together is the indispensable mortar of the contemporary world. And that is one of the values upheld by the left. Conservatives don't want to do things together. Conservatives solve things all by themselves. They don't enter into a dialogue; they don't share the same experiences as others. There are so many new values which we can insist on as indicators of progress. And a great many things would fit in here, including a new humanism. The world of globalization is many things at the same time: the confused jumble of international money, the homogenization of production, the fragmentation – and it is also a world that places humankind at the fore again, because it brings up issues that affect us all. There are so many good, new and challenging things happening that it saddens me to see how tightly people cling to their ... what have I called it? ... their "nhenhnhém"⁽³⁶⁾, wasn't that what I said?

(36) TN: Slang for querulous whining.

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