

Brazil's New Finance Minister Is Italian Economist, Opposed to High Interest Rates

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Tuesday, 28 March 2006

As an economic aide to President Luiz Inácio Lula da Silva, Guido Mantega, Brazil's new finance minister, was a member of the Workers Party (PT) Economic Coordination Program in the presidential elections of 1989 (the first time Lula ran) and 1998 (the third time Lula ran).

In between he worked in the administration of Luiza Erundina who was the mayor in São Paulo (1989-1992), dealing directly with the city secretary of Planning, Paul Singer.

Following the 1998 presidential election, Mantega organized a weekly discussion group as part of the activities at the Citizenship Institute (Instituto Cidadania), an NGO set by Lula in São Paulo.

In 2001 the institute released a document which anticipated much of the content of the famous "Letter to the Brazilian People" in which Lula, in his fourth presidential campaign, promised to respect contracts and pay off the country's debt.

Mantega was one of the coordinators of the successful 2002 presidential campaign's economic platform.

When Lula took office in January 2003, Mantega became minister of Planning, where he drew up the Public-Private Partnership (PPP) project and the Multi-Year Plan (PPA) (2004-2007). In November he moved to the Brazilian Development Bank.

Differently from the man he substitutes, Antonio Palocci, who was a doctor but spent his life in politics, Guido Mantega is an economist and sociologist who followed an academic career and has numerous publications to his credit in economy and sociology, such as "Acumulação Monopolista e Crises no Brasil" (1981), "A Economia Política Brasileira" (1984) and "Sexo e Poder" (1979).

As an economist, Mantega is considered a "developmentalist," a follower of the ideas of Celso Furtado, among others. At the BNDES, for example, he worked to reduce the country's long term interest rate (TJLP) which is used as a yardstick for bank loans. One of the most constant complaints he had about Palocci was the maintenance of high interest rates.

Guido Mantega was born in Genova, Italy, and came to Brazil as a child. He has a degree in economics and a Ph.D. in sociology from the University of São Paulo. He was a teacher at the Fundação Getúlio Vargas, one of Brazil's most prestigious schools of economy.

Opposition Wants No Change

The leader of the PSDB in the Brazilian Senate, senator Arthur Virgílio Neto (Amazonas state), following the announcement of the resignation of Antonio Palocci as minister of Finance, declared that the government must signal "strongly and clearly" that its fundamental economic policies will be maintained.

Virgílio said he was speaking of inflation targets, a free-floating exchange rate and rigid primary surplus goals so debt interest payments could be made.

Virgílio said he expected some "turbulence" on financial markets, which was why it was so important for the government to clarify its position with regard to future economic policies.

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