

# Nothing Will Change, Says New Brazilian Finance Czar

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Brazil's new Finance Minister Guido Mantega said that the government's conservative economic policies will not change and called its primary budget surplus target "sacred."

"Economic policy won't change," Mantega said at a televised news conference in Brazil's capital Brasília. "It is not the economic policy of one minister, it is the policy of President Lula," he said referring to President Luiz Inácio Lula da Silva.

"This is the most successful economic policy in Brazil in the last 15 to 20 years," Mantega said. "It is opening doors to a new cycle of (economic) growth," which he said should be between 4 percent and 4.5 percent a year in the coming years.

He said the battle against inflation has been won, external accounts are healthier than ever and fiscal accounts solid.

Brazil currently has a primary budget surplus target, which excludes interest payments on debt, of 4.25 percent gross domestic product. Mantega supports running primary surpluses, which aim to eventually reduce the government's debt load and narrow its net budget deficit.

In the past, the former aide to President Lula and former university professor has criticized the central bank for not cutting interest rates more aggressively.

"I wasn't named to the central bank," he said when asked about his criticism of the high base rate, now at 16.5 percent.

"This (pace of cutting rates) depends on the central bank's monetary policy committee, but I as a member now of the national monetary council will be interacting with the central bank about inflation targets, a system that will be maintained."

Brazil has set inflation targets of 4.5 percent for this year and next year, but has yet to set the 2008 target. Lula is expected to run for a second term in October.

Guido Mantega was a member of the PT Economic Coordination Program (Coordenação do Programa Econômico do PT) 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 mayor Luiza Erundina in São Paulo (1989-1992), Mantega worked 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 about Palocci was the maintenance of high interest rates.

Guido Mantega was born in Geneva, 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

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