

BRAUDEL PAPERS



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Democracy 2: Human Capital and Infrastructure **Strategic Consensus for Latin America**

Felipe González



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Brazil needs political reform **07**



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Democracy 2: Human Capital and Infrastructure

Strategic Consensus for Latin America

Felipe González

Editor's note: Democracy has spread faster in Latin America over the past three decades than in any other region of the world. Democratic governments have shown more skill and purpose in combating inflation than the military regimes that preceded them. Economic growth has revived with fiscal stability. Yet these new democracies face difficulties in solving other institutional problems, mainly investments in public education and infrastructure that are needed for future development. As part of its program of research and public debate on Democratic Institutions in Latin America, the Fernand Braudel Institute of World Economics recently organized a seminar on these issues with Felipe González, President of the Government of Spain (1982-96) who played a central role in the consolidation of democracy and modernization of Spain's institutions after the end of the Franco dictatorship (1939-75). At the seminar Fernando Henrique Cardoso, President of Brazil (1995-2002), analyzed Brazil's progress and the institutional challenges it faces. On the same day Felipe González, a new member of our Institute, engaged in a rich dialogue on human development with young participants in the Reading Circles conducted by our Institute in the public schools of São Paulo's periphery. This issue of Braudel Papers presents edited versions of the presentations by Presidents González and Cardoso, followed by excerpts from the discussion with members of our Reading Circles on "The Unknown Island," a story by José Saramago, the Portuguese Nobel laureate.

I basically am a pragmatist. Among Latins pragmatism is scorned, but in the Anglo-Saxon world being called a pragmatist is a form of praise. Latins think that being pragmatic means abandoning our ideals. Nevertheless, the word was invented in classical Greece.

The Greeks believed that a pragmatist was someone who was capable of turning ideals into reality. It has been this way with me always. Pragmatism has led me to be a moderate for most of my life. Pragmatism is useful because a good idea, a good proposal, should be valued independently of its origins. I am without prejudice in engaging partners for dialogue. The great problem with ideology is that it confuses the debate over action in public policy. It treats as great moral issues specific problems that should be confronted as problems of operational efficiency in the public sector, since there are no important disagreements



over general goals, but only over the best ways to achieve them.

I believe that when one is a progressive -and I want to be one, and to continue as one for the rest of my life-one cannot confuse instruments with objectives. The Left is my tribe, and this is a self-criticism of my tribe. We cannot amuse ourselves, as do some leaders on the Left, by inventing our future while the Right continues governing in the present. But I always see the other tribe, the conservative tribe, as being obsessed with economic growth as a technical problem. When we advocate income redistribution through more education and health care, they always say that these are problems of social equity. In other words, until today, the Left is not concerned with how to create wealth. The Left believes that all problems are solved through redistribution, ending up like Fidel Castro, who distributes poverty. And the Right, which knows how to create wealth, forgets that wealth must be redistributed in order to make wealth-creation sustainable. They always tell us to wait awhile for enough wealth to accumulate to begin redistribution. But before that time arrives we have a crisis. So how can redistribution take place in times of crisis? So we wait until the crisis ends. This kind of impasse can go on for 20 years. The only way to break this

impasse is through broader comprehension and agreement on common goals.

I always have been a militant of the Left by exclusion. Why exclusion? I was ashamed to live under a dictatorship. I was ashamed to feel free only upon leaving my country and to feel oppressed when I returned. So I naturally rebelled against the dictatorship. I found more people on the Left opposed to the dictatorship than people on the Right. Perhaps it was natural for someone opposed to the dictatorship to join the ranks of the Left. Thus my political space was restricted, more because of moral rebellion and exclusion than for any other reason.

These common goals must deal with changing conditions. The fall of the Berlin Wall signified a transformation. It was a symbol of change in all of the end of his life, Octavio Paz said of the fall of the Berlin Wall and the collapse of the Soviet Union that the answers may have failed but the big questions remain with us. Thus we verify that the failure of some answers to big questions became a model that bred horrors. This failure may be linked to excesses in the cult of reason, of pure logic, in dealing with human beings with different feelings and identities, with different motives, as we have seen in the world after the complex liquidation of the politics of blocs.

What do we lack in dealing with this new complexity? Above all, in Latin America and especially in Brazil, we lack consensus, a strategic consensus, to define a sustainable strategy that lasts beyond changes of government, beyond the constitutional terms of a legislature or a president. This cannot be a consensus on too many issues, for that would be too complicated. But a consensus on three or four issues could mobilize everyone's efforts. All developed countries have this kind of consensus on issues that unite people and remain outside the arena of debate. These elements of consensus enjoy a kind of permanence that strengthens countries. This kind of consensus is especially important for development of human capital. The failure to develop human capital is a source of great anguish. Even in countries with abundant natural resources such as petroleum, there is no possibility of development, there is no future, if the nurturing of human capital is neglected.

The second major goal of consensus would be infrastructure. Any modern country needs ports, airports, highways, railroads, electricity and water supplies. When the public sector lacks capacity to build and maintain physical infrastructure, it must persist in finding resources elsewhere, wherever it can. In the case of Brazil, which must generate a primary surplus of 4.5% of its gross domestic product (GDP) to service government debt, there is little left over to invest in other sectors. The government must have the versatility to develop more flexible instruments, develop new sources of savings and mobilize other elements of the society to assume responsibility. The term "social responsibility" has become fashionable, a catchword. In the generation of wealth, businesses must understand that they not

only have responsibility to be efficient in business. Businesses also must assume a more central role in balancing growth with income redistribution through development of education and infrastructure. In this new era, the State is withdrawing permanently from the direct generation of wealth in the national product. It should concentrate its efforts on providing the services needed for governing the public space that we all share.

Let us examine public services. Curiously, in Mexico electricity monopolies are called natural monopolies. But they are historical monopolies, not natural monopolies. Civilized use of electricity did not exist 150 years ago. How can this be called a natural monopoly? Electric power industries used to be vertically integrated, conducive to monopoly structures, especially in the public sector. But now political changes, technological developments and the lack of government funds for major infrastructure investments are leading to a breakup of electricity monopolies worldwide, with generation, transmission and distribution becoming separate businesses.

Never have political constitutions designated access to electricity and telephone service as universal human rights, such as access to education and health care have often been described. If a right is universal, it becomes an instrument and purpose of public authority. If a universal right becomes law, government must fulfill its obligations. These universal rights may be implemented by the State, fulfilling its own responsibility, or indirectly by private agents. So why cannot public services outside the scope of universal rights be provided by private agents?

The first waves of decreeing human rights in liberal societies, by the French Revolution and the United States Constitution, focused exclusively on individuals, guaranteeing equality under the law. For individual liberties, the basis of democratic coexistence, to be effective and real, they must be reinforced by positive public action in education and health care. That is my basic idea.

Social justice, a moral concept, is also an economic concept that must be applied to sustain economic growth. No developed society has emerged from what is now called underdevelopment without having solved basic problems such as growth and income redistribution, especially indirect income redistribution. This indirect redistribution is embedded in the development of human capital, through education and health care and by creation of modern physical infrastructure. This redistribution demands a long-term strategic consensus among political and economic interests.

Progress in Spain

I am a rare kind of leftist. I never confused ends and means, objectives and instruments. What interested me was achieving goals. I could be very versatile in the instruments employed. I found it strange that in Spain that the State manufactured cars and the private sector built roads.

I decided that this should be reversed, that making cars should be a private business and that building roads should be a public business. Building infrastructure requires savings. If the public sector lacks money to create infrastructure, it should seek savings elsewhere. Without infrastructure there would be no development.

My policies as President of Government in Spain were supported by votes at elections, but these policies also were supported by those who had not voted for me and never would do so. I traveled very little in Spain. I stayed in my office, governing a lot and traveling very little. I studied problems and made decisions every day. I devoted very little time to touring and photo opportunities.

As a pragmatic and moderate politician, I understood very soon that Spain needed one strategic variable to change its destiny, and that variable was human capital.

Spain has no petroleum. In the past, we had become rich in the worst sense of the word by exploiting our colonial empire, but we never were capable of employing these colonial riches to develop our own country. So I concentrated on the only strategic variable relevant for us, which was human capital. Not only did we have to believe us to be capable. We had to make ourselves capable.

We built thousands of kilometers of highways. Our per capita income grew from \$4,500 when I took office in 1982 to \$15,500 when I left in 1996. Now it should be around \$22,000. But none of this stirred such strong feel-

ings in me as the fact that, as an intangible in politics, for the first time in our contemporary history, Spaniards were reconciled to their passports and their national identity.

Is this progress related to education? It seems so. The change in basic attitudes in our society today only could have been achieved by education plus training. We achieved a few basic tasks with great popular support, not only with the votes we won in elections, but also with those who agreed that we had to break the barriers of our isolation with an infrastructure policy that changed the physical reality of our country.

If one observes this performance, we see an effort of our whole society, not only of my government but all of Spain over the past 25 years since we approved our democratic constitution, or over the past 26 years since the main political parties signed the Pact of Moncloa to

Social justice, a moral concept, is also an economic concept that must be applied to sustain economic growth

consolidate a consensus on democratic practice. I had the great fortune of being in government for 14 years in this process. But now we are facing new challenges, different from the ones already overcome. We may be missing the train

of progress of an economy that must continually add value. We need a system of education that trains people to offer new things to our economy and society instead of becoming claimants that make permanent demands on our economy and society, which is one of the failures of passivity in our educational systems in all of Europe and Latin America.

Felipe: Now we face new challenges

What disturbs me? We universalized access to education in Spain, which was needed. Schooling became compulsory until 16 years of age. We expanded university enrollments from 600,000 to 1.6 million, with 900,000 students on scholarships. We modernized health services with acceptable coverage and quality, consuming 7.2% of GDP. In contrast, the health system in the United States, with a much higher per capita income than ours, consumes 16% of GDP and excludes 46 million Americans. But what is our problem now? Our education system should be changing much faster than it has in fact adapted to globalization, technological revolution, the Internet and increasing interdependence of nations.

Instead, we manufacture degrees. We even can manufacture illustrious degrees, but the holders of these degrees emerge from their studies to continue as claimants on the State, to provide them with a job. The degree they receive in the context of Latin culture makes them more demanding claimants, because they are certified. With all their studies, they are not prepared to add value. They failed to learn how to transform knowledge into action. Some may be brilliant innovators, but many of them lack initiative to become entrepreneurs of their

own lives and, in consequence, to create opportunities for other people.

Latin America

For many years I have flown in airplanes over the countries of Latin America. There has been much progress. Flying above these countries over the years, I have seen the electric lights multiply. From the airplane I saw enormous regions of darkness shrink over the years and lights replace the darkness. Rather than visit Paris, which offers more comforts, I feel much better going to Mexico City, Oaxaca or São Paulo, which stir deep, irrational feelings of proximity and affection. Yet we have to think of strategy for the future. What worries me today, because of my intense emotional ties with Latin America, is the lack of consensus over strategy. Underlying the lack of strategy is the problem of ambivalence about our common character and our relation to the rest of the world.

Brazil is a huge country, so big that it tends to turn inward on itself without much awareness of what happens outside. However, as Fernando Henrique says, this is changing. The problem of ambivalence extends

to México. Some people say that Mexico has a Latin American soul but North American interests. How can soul and interests be made compatible? Mexicans believe that there is no compatibility and live with a dilemma. But I think that this is a great advantage. Mexico has something different to contribute, a kind of soul lacking in the United States, which has other qualities. In a Mexican village it is impossible that a neighbor dies and nobody knows about it for 20 days, as sometimes happens in a North American city. This is impossible in Latin America because we are involved in each other's lives, sometimes causing discomfort or intrusion. In the United States, this involvement in other people's lives is rejected as impertinent, even between parents and children. Yet an amalgamation is taking place between Mexico and the United States. Shortly after taking office, President Vicente Fox invited me to accompany on a brief trip to California. I saw this tremendous presence of 20 million Mexicans in this region of the United States, which is changing the character of the land. If one day the Mexicans decided to stop work, California and New Mexico would be paralyzed.

Why do I feel more attached to Latin America than to the decadent welfare states of Europe? Because of our cultural affinity and the vitality and promise that I see. Yet I recently analyzed the development of Spain between 1980 and 2002, and compared our experience with the 20 countries of Latin America. Together we form the cultural entity that we call Iberoamerica. Although Spain is poor in natural resources, and has discovered nothing new, its performance has been much stronger than the countries of Latin America, which, taken together, have abundant natural resources.

We always must return to problems of incentives and institutions. As Fernando Henrique says, Brazil has had its difficulties but it accumulates savings in the local currency. But Argentine citizens hold a volume of savings outside the country that is comparable to Argentina's foreign debt. This is not just a consequence of Argentina's recent crisis. It is part of the Argentine culture of storing savings abroad. This pattern of behavior exists neither in Brazil nor in Spain. Spain has lived through tremendous crises, but our people didn't send their money abroad.

Fifteen years ago I coincided in Buenos Aires with a Japanese delegation. In those years Japan was at the top of the charts and seemed so rich that it could buy anything in the world. The Argentines obviously were trying to get them to invest in Argentina. The Japanese noted that there was lots of Argentine savings outside Argentina and said: "If you don't believe in investing in your own country, do you believe that you can persuade us to invest here? This seems to us an interesting country. We could invest here, but you first must invest in Argentina yourselves."

Better education is needed to increase the capacity for

savings and investment. The centers of education must assume the responsibility of teaching young people history, evolution and the acquired practices of tradition. This is necessary but not sufficient. They must also learn from practice. There are new challenges. Jobs are not everything. When I listen to the desperate skepticism of my fellows in the ideological tribe to which I belong, I ask: "Why do you suffer if all we need is jobs and more jobs to satisfy human needs? Of all that remains for us to do to open new spaces of opportunity, we have done almost nothing."

The challenge is inexhaustible. What is exhausted is our mental capacity to open new spaces and horizons for reflection. We must educate young people in the knowledge we have acquired and revive the mission of teachers. The teacher must learn from young people. Beyond teaching what he knows, the teacher must help young people confront the world, knowing that when they finish their professional training they must be endowed with something more than a degree that enables them to become a claimant demanding a job. Young people must learn some accumulated knowledge as well as some practical sense that enables them to begin the adventure of their own lives, working for others or working on their own. Not all of them will be creators. Not all will be entrepreneurs. To ask this of them would be foolish. But they must be aware of what they can offer to add value to others. And I speak of value in the language of our great poet, Antonio Machado.

Machado said: "All fools confuse value with price." I am not talking about price. I speak of awareness of value that adds to what we offer our families, our companies, our communities, our cities. This offer, adding value, can be created by a musician, an athlete, a merchant of waste materials, a teacher, almost anyone. What is the role of the State in dealing with all these claimants? We need the State to guarantee our rights and guide the operation of complex societies. But there are many kinds of states. Peru, for example, survives as a nation only because of the existence of the State, despite all the big differences between the coast, sierra and tropical forest east of the Andes, with their precarious communications and weak civic institutions.

The State cannot satisfy all claims. When we speak of the size of the State in relation to its efficiency and institutional power, I cannot advocate a state heavy with fat, a state mainly devoted to satisfying claimants and clients. We cannot sustain a state serving as a refuge for the failures that appear when we politicians promise to create jobs when it is beyond our capacity to fulfill these promises. I made such promises early in my Presidency but soon realized that this was a mistake. The alternative was to expand the public sector and employ more people in the bureaucracy. Thus we would create a state serving political clients that would swell its spending to such high volumes that would exclude constructive policies.

Some friends of mine say that this is a social state, but the social function soon is overburdened and exhausted.

I advocate neither a weak state, incapable of fulfilling its responsibilities, nor a fat state. So I advocate what I would call an Ipanema state. When I go to the beach in Rio de Janeiro under the warm sun, I observe the cult of the human body that is so developed in Brazil, without a drop of fat but also without a skeleton appearing. I would call the ideal state an Ipanema state, without fat or bones exposed. But we must eliminate the fat gradually. It cannot be done with a stroke of the pen. But we also must end this absurd debate about a minimal state that does little. In some countries there would be no country without a state.

The problem resides in our institutions, not in the quality of people or their intellectual capacity. Here we must deal with issues involving stability of purpose and consensus. For an educational program to be consolidated and show results, at least 20 years are needed. Otherwise institutions fail. The short-term horizons of us politicians form an obstruction. We only make gains for our countries when our perspectives are sufficiently

long-term to provide institutional stability. We commit many short-term errors. We only can be saved from the consequences of these mistakes if our institutions are capable of sustaining a long-term path and orientation. This is hard for us to do because of our cultural problems.

There is no guarantee that high intelligence will produce good results in politics or economic development unless institutions channel human capital toward lasting outcomes. There may be occasional failures and reverses, but development will proceed from broad agreement of purposes over the long term.

Our greatest wealth as human beings lies in our capacity to create projects that add value to the lives of others. But we have neglected this wealth. I have done redistribution through education and health care, but I never have distributed my greatest personal wealth: my capacity to make offers that add value to others. The most important redistribution of wealth that we can carry out lies in the system of education, political leadership and social leadership by transmitting, transferring, training so that more people will be capable of making offers that add value to others.

Brazil needs political reform

Fernando Henrique Cardoso

Listening to Felipe González, I recalled a relaxed conversation I once had with President Bill Clinton at Camp David. He told me that, in world affairs, we always must ask what the vocation of a country is, what it fears and what its basic ambition is. Persons capable of leading a country successfully are those who grasp these realities and have a sense of history. Felipe González has a sense of history, a sense of things changing and a sense that certain structures are shaped by history, that these structures can be changed and that opportunities exist.

Not everything is possible. Conditions for progress vary. We just have received a history lesson from Felipe González. It was a confident and hopeful vision that we could adopt here. I first visited Spain in 1960, four decades ago. Spain has changed in this time. Spain always was for me an example that things can improve. In Spain's case there were some favorable conditions, mentioned by Felipe. The world economy was expanding. Europe was integrating and Spain took the courageous decision to join the Common Market and NATO.

I witnessed the debates in Spain. There was political leadership. Spain had opportunities and the political leadership to advance. Once I asked the Minister of Education, José Maria Maravall, to explain the meaning

of the success of the Socialist Party in Spain. He sent me an analysis of what they did in social security, education and health care. Spain changed its social conditions. The other advances proceeded from this. It had political leadership that pursued these policies for 14 years.

What happened with us in Brazil? Historically, there were great changes. In was born in Rio de Janeiro in 1931, 11 years before Felipe. When I was born, 70% of all Brazilians were illiterate. Today illiteracy is being eliminated because nearly all children attend primary school. Quality of education is a problem. We have thousands of problems, but this was achieved. In Rio when I was born, Brazil had only one paved road, built by Emperor Pedro II, passing near the Emperor's palace in Petrópolis on the way from Rio to Juiz de Fora in Minas Gerais. Nothing else. By the time I moved to São Paulo in 1940, there was great progress and a second paved road was open, connecting São Paulo with the port of Santos. Today I hear that Brazil's paved roads have lots of potholes. But now there are 60,000 kilometers of federal paved highways. That means big changes in physical as well as human conditions.

Our starting point was bad, with slavery and concentration of land in few hands. Abolition of slavery in 1888

created the first great surge of marginality. Freed slaves drifted into the cities with nothing to do. Then came European immigration. Europe exported its excess labor, its poverty to the Americas. Some immigrants enriched themselves, but the Europeans deprived the blacks of market opportunities. So the historical process here was complicated.

Brazil is endowed with natural resources, but we have lost some opportunities. First, we had decades of inflation. The origin of this inflation may be found in Brasília, not from building an inland capital in the 1950s but from the way it was financed. It bankrupted Social Security. Social Security reserves were invested in Brasília. Public finance became chaotic. So chronic inflation came, taking us decades to control.

Second, we tend to be late in seizing the opportunities that the world offers us. We fall behind for political reasons, for failing to understand the process. In the 1970s, when the Asian Tigers took off, Brazilians still were discussing whether or not exporting was worthwhile. "Eat first, and then export" was a common saying. When a great abundance of international capital appeared, we first had to open our economy, but we opened late.

We arrived a little late in everything. That was not the world's fault. If we may talk of fault, I see what Felipe was talking about here: the lack of a national accord on fundamental issues. I think that we have begun to develop this accord. The continuity of macroeconomic policy, as difficult as it is, was the surest course for avoiding great disorder in our economic-financial system.

But we suffer, once in a while, from the mania of believing in miracles. This is expectation of miracles is understandable because there is so much inequality that people become anxious and demand quick solutions. So we deviate from the path of construction. Returning to this path wastes an enormous amount of time. Recently another miracle was proposed, as always happens. They

will break with the past. Everything will change. It will be marvelous. But nothing happens. We only lose time.

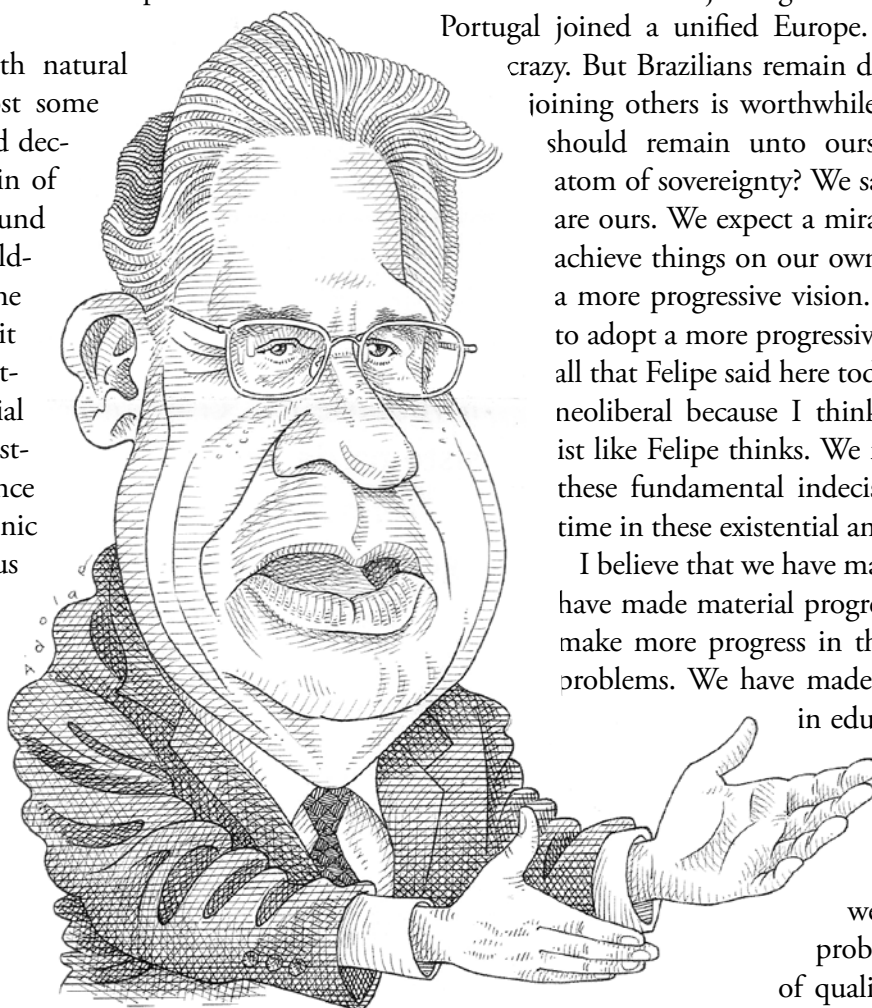
Combining with the hope for miracles is something else: a certain vocation for solitude. Brazil is big. We have many people. We say we are the best. So we don't know if it is worthwhile joining the world. Spain and Portugal joined a unified Europe. They were not crazy. But Brazilians remain doubtful whether joining others is worthwhile or whether we should remain unto ourselves. Cede an atom of sovereignty? We say that decisions are ours. We expect a miracle and want to achieve things on our own. This obstructs a more progressive vision. When we want to adopt a more progressive vision, sharing all that Felipe said here today, I am called a neoliberal because I think what a socialist like Felipe thinks. We remain mired in these fundamental indecisions. We waste time in these existential anxieties.

I believe that we have made progress. We have made material progress yet still must make more progress in the perception of problems. We have made many advances

in education. We have universalized access to primary schooling, although we still have the problem of a lack of quality in schooling.

We also have expanded access to the university. Enrollments in Brazilian universities have grown from one million to 4.3 million today. We are graduating 7,000 doctoral students each year, PhDs, more than in Italy or Canada. Brazilians are participating more in the world's scientific production, as measured by the number of citations and articles published in foreign academic journals. Today we have a reasonable world ranking, about the same as Spain. In terms of patents our record is much worse, shameful, showing that our knowledge is mainly academic. Our knowledge is more abstract than pragmatic. We need to transform more knowledge into useful things for production and life. This is a challenge, demanding more changes in education.

I spend part of my time as a professor at Brown University in the United States. I also have teaching experience in other universities, American, European, Latin American and Brazilian. The big difference between American society and the others is the university. The university is a



special phenomenon in the United States, and only there. Why? Because it is field of freedom and creativity, even irreverence. In general, the universities backed John Kerry for President in the recent elections. These universities are not closed places. They attract people from all over the world and maintain permanent contact with government and business. Because these universities are self-confident, they are not afraid of being bought off by business or co-opted by government. In Brazil the universities flee from both, as from the devil. They want to guarantee their freedom as if it were threatened. The American university is a great matrix for change and adaptation in the United States. The government can be reactionary, horrible, but the university is the great escape valve and adds dynamism for that society. If our universities do not face these issues here, we will not be able to face the world.

I was asked to make a proposal to the so-called Iberoamerican summit in San José, Costa Rica. I proposed that the Erasmus program of the European Union, which enables students to move freely among universities, incorporate Latin American students. Each university can decide whether or not to accept this proposal. Since European universities are emptying because of low birth rates and other demographic causes, I think it would be an enormous advance to incorporate Latin American students with scholarships. We have two basic problems that Felipe discussed here. One is education, demanding more investment and quality improvement. The second is infrastructure. Government must address these problems. Since we lack money because of the State's fiscal crisis, it must create an environment favorable to private investment. It must create regulatory agencies to supervise but not disorganize investment.

Involved in these two problems is the need for long-term capital investment. How can we do this? How can we organize foreign and domestic investment funds? How can we get the World Bank and the Inter-American Development Bank to invest again in infrastructure? How can we create mechanisms for increasing domestic savings? How can we get our banks to invest at least in medium term credit if not in long-term lending? To increase longterm investment we must reorganize the State and improve its management capacity. We often have the resources, but management fails. We have learned to

solve macroeconomic problems and control inflation. We made mistakes but we succeeded. We discovered the importance of a balanced budget. We generated primary fiscal surpluses and enacted a Fiscal Responsibility Law. We now must solve the difficult problem of efficient management. Our failures now are not in macroeconomics but in managing and implementing policies in lower level applications, in microeconomic sectors.

Without stronger and more competent institutions, we cannot advance further along our chosen path. But we have made some progress. The Congress has its problems, yet it shows remarkable resilience and stability. Few Brazilians know that their parliament is one of the world's oldest in continuous functioning, since 1821, with only brief interruptions, even under the military regime

The key needs for advance are in education, infrastructure and investment, creating a more effective system for accumulating savings and improving management, all as part of our democracy

(1964-85). Our Congress has a negotiating tradition, which is important because it avoids ruptures and crises.

Our judicial system, with all its faults, needs further modification, but an important reform has just been passed, the *súmula vinculante*, incorporating the rule of precedent in major decisions. Our judiciary is very independent of the executive branch. Our Federal Supreme Tribunal is an important institution because, increasingly, it has assumed the role of interpreting the law instead of simply applying statutes. While the President appoints the justices, the President is not free to telephone a judge to ask for this or that. So we have some institutions supported by tradition. Our problem is to make them more agile, and this is very difficult. We have problems with our regulatory agencies, an institution new to us without roots in our Roman positive law. This is complicated, but we had to introduce this modification. It will take time for it to strike roots.

The key needs for advance are in education, infrastructure and investment, creating a more effective system for accumulating savings and improving management, all as part of our democracy. When I was in the Senate, I allowed myself the luxury of saying that Brazil's backwardness was caused by our parties and politicians. Later, after becoming President, I paid court to the Senate; that is, to the parties and politicians. But now I agree with what I said as a senator. There are many reasons for this. One is that our political system really reflects our society. It reflects many backward sectors. But being backward does not mean being incompetent. It is the vision that

is backward, driven by entrenched interests that obstruct our advance.

We have a very complicated political system, with a direct vote for President, more direct than in the United States. But the government is not the President. The government embraces the parties, the Congress and other institutions. In Brazil, the President's party never wins a majority in Congress. Since the presidential party only has 20% of the seats in the Chamber of Deputies, even today, he must make alliances. If you make an alliance before a presidential election, this alliance has some legitimacy. Concluded after an election, the alliance has none. This kind of alliance is a fragile arrangement to be able to govern. So the President begins to have problems enacting his program and people complain. This transforms the parties and Congress into sources of pessimism, obstructing the country's advance. The political system

becomes a swamp. Nothing happens.

We need political reform. Otherwise we cannot advance. That is because our system is obsolete. Professor Alfred Stepan of Columbia University once did research in our Congress and interviewed 30 or 40 leaders. He was astonished at their high level. He said that their level was much higher than members of the U.S. Congress. Why? Because Brazilian elites have very good people. Our Congress has very competent people for specific things. It's the system that doesn't work. The system is tied in knots, and this is costly. We cannot advance more quickly because the political system ties us up. This problem can be overcome with education and other investments. But if we want to advance further in the sense that Brazil becomes further integrated in the world and enjoy development, and not merely growth, a political reform will be needed.

Discovering "The Unknown Island"



In the afternoon following the morning seminar with Fernando Henrique Cardoso, Felipe González met with 25 talented young people who participate, as educators and students, in the Reading Circles that our Institute organizes

among 21 public schools in São Paulo's periphery. In these Reading Circles, an experiment in developing human capital, these young people read and discuss classics such as Homer's Odyssey, Plato's Symposium, Shakespeare's Romeo and

Juliet and Othello, Daniel Defoe's Robinson Crusoe and Ernest Hemingway's The Old Man and the Sea. Felipe discussed with them "The Story of the Unknown Island" by José Saramago, the Portuguese Nobel laureate. Saramago tells the story of a man who stands at the gate of the palace, with other petitioners, and refuses to leave until the king grants his request for a sturdy boat so he can sail forth to discover an undiscovered island. In his quest he is helped by a cleaning woman who persuades the king to grant his request and then abandons her job in the castle to help the petitioner realize his dream.

Felipe González, age 62: This man decides to seek what he desires, unable to explain what it is, but it's his wish: the undiscovered island. He knows that he lacks the instrument needed to seek the undiscovered island. He must find it in the open spaces of the sea. For him, the land is a closed space, hierarchical, ordered, with everything in its place, lacking opportunity. So he pursues his idea of going to sea. But he lacks a boat. Who will give him this instrument? He doesn't ask for this politely. He doesn't follow the rules for requesting what he wants. He doesn't wait in line like the other petitioners. Instead, he blocks the access of other petitioners to the palace gate until he can see the king. He finally gets his boat, but then he doesn't know what to do with the boat. Nevertheless, the cleaning woman who opened the gate for him has a fantastic intuition. She likes the idea of seeking a new reality, a new world. The man is not concerned about how the boat will operate, but the woman pursues him to make the boat work. She cleans it and tells him to get a crew. The man has only a vague idea, but the woman transforms the idea into action. This is a notable fact that I discovered during many years in government. I decided many things. But many women helped me implement decisions.

Diego de Lima, 15: In our small discussion group, we found that the clearing woman was the undiscovered island. What do you think? What island did you discover when you read this story?

Felipe González: We should not confuse the roles of men and women. Psychologically, they are well described by Saramago: what men and women normally are capable of doing. The practical sense of achieving an objective is much stronger in women than in men. A man can dream, but he always will have more difficulty in realizing the dream than a woman. I am not speaking in philosophical generalities. I speak from personal experience. The women who shared power in government with me always were more practical than men in deciding. In Brazil this will sound strange: Women look at themselves in the mirror less than men when

trying to achieve a goal. Men look more in the mirror to contemplate their public image. Women beautify themselves more than men but advance more firmly in the hour of making decisions. The deep lesson of the story is that without the woman there was no way of getting there, period. Not only do they share our dream, but the goal is unreachable without the woman's organization and commitment. We men discuss, discuss, discuss ideas about getting somewhere. But women ask more practical questions about how to get there.

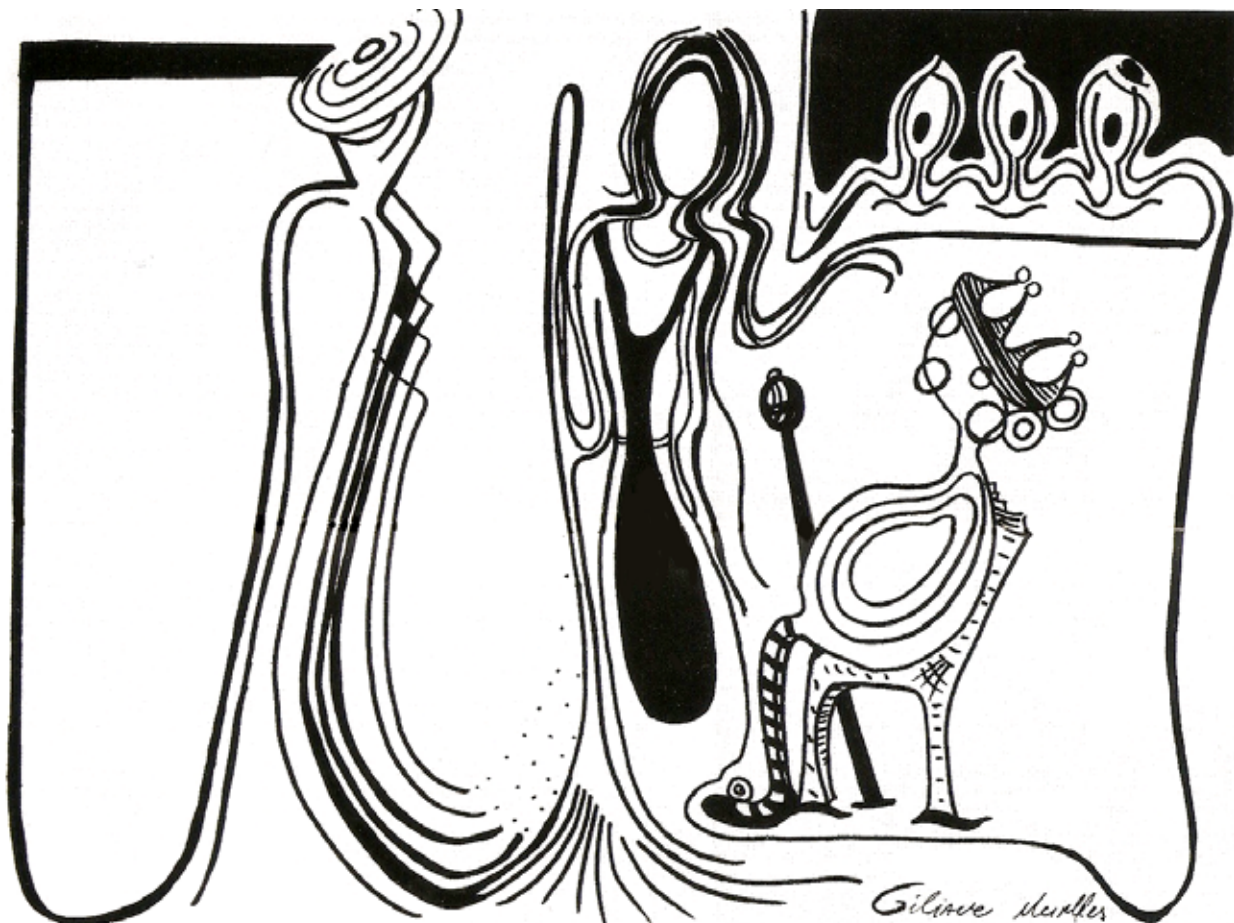
Diego, you asked me what my undiscovered island was. What was for me the intangible objective, that one cannot touch, which changed reality? For me, it was to make Spaniards believe that they were capable of changing. This morning I said that Spaniards, my compatriots, were reconciled to their identity, to the passports they carried, thinking: "What others can do, I also can do." This was my dream. In great measure I realized my dream. Not because of the dream, but because we could do it.

Luana Vieira, educator, 19: One thing bothers me: It is useless to speak of the man without speaking of the woman. The cleaning woman became his partner and shared his dream of the undiscovered island. She had a gift for making decisions. She decided things in the palace in her own way. Because he broke with custom in approaching the palace, knowing all about its bureaucracy, shifting problems from one official to another official, he took a stand: "I want to talk with the king myself to tell him what I want." He knows that he wants to go to sea, taking the biggest decision of his life. There is destiny here. Without his knowing, the cleaning woman already was following him to the waterfront, examining ships, "ours can be neither too big nor too small." From then on, when they showed him his boat, she had entered his dream. It belonged to both of them.

Silmara Santos Gonzaga, educator, age 20: The big argument in our group was: Why the symbol of the sea? Why the search? What is the process? What does this mean?

Keila Candido, 16: I cannot separate Man and Sea. They are mirrored in each other. Yet both are changeable. Each has its own nature that must be respected.

Aline Werneck, 15: In our group we remembered that most of our bodies is made of water, as most of Planet Earth is covered by water. When we asked, about "The Story of the Unknown Island," why the man went to sea, we agreed that he was returning to his origins. Our mothers' uterus was filled with the water in which we swam before we were born. We were born pure as we emerged from the water. So the best way to seek the undiscovered



island is in a state of purity. Not only with a clean boat, but also with a clean soul.

Norman Gall, 71: How can we compare the man in “The Unknown Island” with the fisherman Santiago in Hemingway’s *The Old Man and the Sea* and with Ulysses in *The Odyssey*?

Vanessa Lira, 16: All of them are searching, but their paths are different and they swim in different waters. All of us search the sea inside ourselves. All of us seek mirrors in which to find ourselves.

Felipe González: With the man, the cleaning woman and the boat, Saramago plays like Cervantes, with a duo of characters that really are one, like Don Quixote and Sancho Panza. The man and woman seeking the undiscovered island are really one. The man without the woman, or the woman without the man, cannot pursue that dream. The dream would disappear. That makes the story so beautiful.

Pierre Nunes, 13: Like Ulysses and Penelope?

Felipe González: What was Penelope’s danger?

Pierre: That her suitors would discover that she was weaving her tapestry by day and unweaving by night so she wouldn’t have to marry one of them.

Felipe González: Don’t you think her danger was her uncertainty? She never knew whether Ulysses would return. She believed but was never sure. She needed to believe, but there was no certainty.

Norman: I think that Penelope felt that Ulysses would return because he was part of her. It’s like that with parents whose child has disappeared, in a kidnapping or a war or a long voyage. The father thinks that the son will return because the son is part of him.

Marcela Marques, 15: Each time I read about the undiscovered island, I feel that the man of the boat is his own island that he needs to discover. He found himself when the woman appeared. He found two islands in one, the one inside himself and the woman. I would like to ask Felipe if he found his island and if someone helped him find it.

Felipe González: I was talking about my political island, my political task. I wanted Spaniards, my compatriots, to be reconciled to their identity. I wanted to end two centuries of internal fighting, of confrontations, the lack of self-confidence and self-esteem. My own island still is half-discovered, but I work at this every day. I want to feel free, with personal autonomy, to decide my own life, my own commitment. I am here because I want to be with you. I ask nothing of you and want to learn from you, listening carefully, and to tell you some things that may be of use. There is generosity and egotism in this. Generosity on this island comes with working for others and with others. My egotism finds happiness in personal autonomy. This is my island.

Marcela: We see every day that misery exists, with

people hungry, but the worst poverty is in people's souls. This is why the Reading Circles are so important to us as food for the soul. What we lack in Brazil is more food for the soul.

Felipe González: Misery and marginality breed more misery. They force people to seek survival every day. It is very hard to make plans for your life if you always are trying to survive. Freedom means freedom from the struggle to survive. When people say that extreme poverty breeds revolution, they are lying. Extreme poverty does not produce revolution, only more struggle to survive. At the same time, those who confuse autonomy with wealth deceive themselves. I know few wealthy people who enjoy autonomy. Most are dependent on money. This makes some things easier, but it is an ugly form of dependence.

Camila Almeida, 16: Sometimes people ask me the difference in our Reading Circles between an educator, a multiplier [teaching assistant] and a pupil in our schools. I see no difference because, as Felipe says, everyone has a value regardless of his role or title. Yet I find it hard to communicate with the world because I am different. I find it hard to multiply what we learn because people's minds are closed to the sublime. When you try to be different, you are excluded. Being different is important because we learn things from the differences. But others refuse to recognize the differences. They refuse to understand that they not only need money. They need contact with those they really like, not just for superficial interests. Those that love each other enhance themselves and gain knowledge. When things fall apart, we say that we lack money. But no! We may lack money but, as Felipe says, to make good use of money people must know what they are doing.

Danilo Alves, 19: I was asking myself why knowledge can't be used as a way to get money. Why can't you use this instrument or vocation to gain stability? The Reading Circles are nourishing the essence of ourselves. We are reading Herman Hesse's *Sidhartha*, which portrays a dilemma between money and knowledge. Camila said that people are not open to this knowledge. But I think that the king in "The Unknown Island" was not open to giving things, but the man seeking the boat exposed him and breached this barrier. The problem is not that people are closed. It's the way we approach them.

Felipe González: Not only in Brazil, but in any place in the world, a group of young people like yourselves, who are reading Saramago and discussing the adventures of Ulysses, tend to be considered strange by others. You feel excluded because you learn. Others ask

you: "Of what use is this? This is good for nothing." So you have to endure the incomprehension of others when you are creating for yourselves values that will be projected on others. Many times in my life I have heard it said: "Why do you worry about others when they only worry about themselves?" It is not only due to egotism nor only to generosity. If I had not lived as I lived, I would be frustrated. If I saw suffering in others and did not suffer with them, I would not be happy. You face a challenge: How will you realize yourselves as human beings? Unfortunately, in the world in which we live, many people live and die without fulfilling themselves. Many people, immensely rich, live and die while remaining completely useless. In Spain, many young people are called *pasotas*. That means people indifferent to life's challenges, pretending to do things just to get by. "I pretend to study. I pretend to read. I pretend to learn." They can live many years this way. They can live without appearing ridiculous and even seem charming. But once they start to have children and grey hairs appear with family responsibilities, remaining a *pasota* begins to look pathetic and ridiculous, a failure wandering through life.

João Paulo Marciano, 18: In the Reading Circles, we have been thinking that the sea embraces many things, us as well. There are many things inside ourselves, things of other persons, which we must preserve. If we do not preserve these things of others, we cast aside part of ourselves, our legacy. We are reading *Sidhartha*. He heard in the river several voices that really was one voice. People in our lives form one whole. We must think of ourselves as part of a whole, not as an excluded part. We must keep our personality, yet embrace that whole.

Felipe González: The sea and the undiscovered island are inside ourselves, but no human being is alone unto himself. If someone is a magician making music, others must hear him for him to be conscious of how brilliant he is. We discover ourselves in our interior sea but fulfill ourselves in others.

Geraldo Costa, 16: We are individuals and yet social creatures. The best way for us to learn of the immensity inside ourselves is through others. I need others to awaken things inside me that I didn't know existed. The man in "The Unknown Island" needs the cleaning woman. The woman never was subservient. He awakened her and then an exchange arose between them.

Felipe González: The man needed the woman and the crew, even though the crew betrayed him. He could not navigate without his team. The crew was his social project. He needed the crew to realize his mission, to

infect others with his dream and get them to participate. But then they remained on land and refused to continue.

Patricia Elizabeth Arias, educator, 20: That crew was incapable of thinking of new things, an undiscovered island. They only wanted to sail among known islands. They said to him: “We’ll stay here and you go on alone.” So he was left alone with the cleaning woman. He was sad and defeated and he gave up the journey. So this brings us back to the loneliness that we face in being different. You are different from other kids I see in classrooms and on buses. Being different may disturb others, but it also enchants them.

Reni Adriano Batista, educator, 23: Before starting to work in the Reading Circles, when I still was in high school, I was very concerned with poverty and income distribution. However, together with this, what sustained me was the certainty that, regardless of income distribution, which is a long-term proposition, life had to be worth living and have its enchantment. Life had to have lots of poetry because this is what sustains life and makes history. This enchantment makes possible the development of people that you meet every day, independently of their situation, even though we cannot use this enchantment to forget about practical financial questions. I believe that this is what we are

doing together. We are sharing this with others. We have a marvelous story to tell. Otherwise Felipe perhaps would not be with us here today.

Aline: I would like to ask Felipe a question. What is the greatest difficulty we face in changing the routine of a country, a family, a home? You may have a dream that things may change, but the routine of a people comes from far back. You know that the people protest, the people suffer, and you know what must be done to change. But how can this be done if everyone, despite all the protests, always does the same thing?

Felipe González: Fernando Henrique said this morning that we not only expect a miracle but we want it to happen yesterday. We refuse to tolerate the time needed for the miracle to happen in 10 or 20 years. We want an immediate miracle to happen now. Each country has its common personality, its common desire. But this does not flourish, nor does it begin to evolve, if we lack leadership in politics. Politics in the larger sense is concerned with the public space. If there are no persons who embody the country’s dreams and activate them, this evolution is difficult. This is very complicated because in every country there are diverse ideas and plural identities and opposing interests. So people must agree on just a few key issues, important to everyone, to create a strategic consensus and a program for all.