Exploraciones/Explorations

Made in Brazil:
Cardoso's Critical Path from Dependency via Neoliberal Options and The Third Way in The 1990s
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Brazil's devaluation of the Real in January 1999 and the shift to a floating exchange rate regime effectively ushers in a new chapter of the Real Plan, the stabilisation effort which began to unfold some six years before, soon after the appointment of Fernando Henrique Cardoso as finance minister in May 1993. Having removed the exchange rate anchor which was at the heart of the 'plan', and with uncertainties in both the domestic and international financial environment ever more pronounced, the country – and Cardoso's second term of office which runs to end-December 2002 – is once again caught up in the bind of IMF conditionality, a situation that had been avoided during the decade prior to his first term from January 1995.

This conjuncture provides an appropriate moment to reflect upon the nature and efficacy of the neoliberal policy prescriptions – or as Dos Santos (1998) might express it 'dependent reformism' – which, ostensibly the Cardoso administration has followed during the 1990s, and to consider where this avenue could be leading. It also invites some critical appraisal of Cardoso's evolving stance against the background of the well established debates surrounding Brazilian (and indeed Latin American) development and the globalisation process during the late twentieth century.

Accordingly, this brief paper, which builds on ideas originally set in motion by the author's contribution to a symposium at the April 1999 conference of the Society for Latin American Studies in Cambridge, England, presents an initial exploration of some aspects of the above themes with a view to better understanding the distinctiveness of Brazil's recent development experience.

Situating Brazil: A Late Starter on the Neoliberal Trajectory?

In comparison with its near neighbours in Chile and Argentina especially, which adopted neoliberal policies from the mid-1970s (1973-74 in the case of Chile) and much of the rest of Latin America which increasingly was forced into a similar policy mould during the debt crisis of the 1980s, Brazil ranks as a latecomer, having embarked on this route tentatively and partially early on in
the relatively brief presidency of Fernando Collor de Mello from March 1990-October 1992.

This came soon after the November 1989 meeting convened by the Washington-based Institute for International Economics which, in addition to a core of academics from the US, Latin America and elsewhere included officials from the leading multilateral institutions of the West, the IMF, World Bank and Inter-American Development Bank. The conclusions of that meeting became known informally as ‘the Washington Consensus’ (see: Williamson 1990, 1993), although it is frequently remarked that, in fact, no consensus was ever reached.

In the words of the late Paulo Nogueira Batista, Brazil’s ambassador to the UN at the time, it represented ‘a neoliberal vision of Latin American problems, and the conclusions revolved around two key objectives: ‘on one hand, a drastic reduction of the State and the erosion of the concept of Nation; and on the other, the maximum opening [of the economy] to imports of goods and services and the entry of risk capital’ (see: Almeida Neves 1995).

From the outset, this scheme of things appeared contrary to the way Brazil was leaning in certain respects in the aftermath of the military regime which ended in 1985 after 21 years, not least as regards some of the explicitly nationalist provisions of the 1988 constitution which emerged from extensive revision soon after the end of military rule under the government led by Jose Sarney. However, in the new post-Cold War world, and for the inexperienced, politically footloose Collor administration, which was confronted by economic crisis following the failure of successive (largely heterodox) plans since 1985 to bring inflation under control, and the need to re-establish the country’s credibility in the wake of the 1987 suspension of interest payments to foreign commercial bank creditors (Cunningham 1987), there was clearly some mileage in considering such policies, albeit selectively.

As events were to prove, the Collor administration was short-lived. Resignation in September 1992 came amid evidence of a corruption scandal surrounding his election campaign manager, Paulo Farias also implicating the president. It fell to his successor, vice president Itamar Franco, to extend the neoliberal opening, although most aspects of this approach were hardly in tune with Franco’s nationalistic tendencies. Thus, the remainder of the term was to be punctuated by piecemeal efforts to deal with a crisis-torn economy tending towards hyperinflation. These efforts eventually crystallised around a series of measures forming the core of the Real Plan, and political manoeuvres in the run-up to the October 1994 presidential election which brought Cardoso to power and seemed to set Brazil firmly on the neoliberal road. (‘Seemed’ is the operative word here since, as the later discussion seeks to explore, Cardoso appears far from being a neoliberal by conviction.)

Prior to considering the policy changes in a neoliberal direction which were afoot in the 1990s, it is worth briefly reflecting upon what went before as regards the country’s prevailing development strategy and policy orientation. For most of the period since the Estado Novo of Getulio Vargas in the 1930s, Brazil was effectively industrialising along the lines of Import Substitution Industrialisation (or ISI), to create a diversified industrial base geared to opening up the domestic market behind protective tariff barriers. In this process, and especially after World War II, the institutions of the State occupied a central role with public sector enterprises in a direct role as providers of infrastruc-
ture and basic industrial inputs, as well as setting the rules which, increasingly from the presidency of Juscelino Kubitschek in the second half of the 1950s onwards, sought to encourage greater foreign participation, not least to provide capital and technology inputs (see Martins et al 1977; Baer, Kerstenezky and Villela in Baer 1977).

Accordingly, the way was paved for the alliance of local (State and private sector) and international capital which Cardoso (1974) categorised as ‘associated dependent development,’ a concept which was further elaborated as ‘the triple alliance’ (or tri-pe) by Evans (1979). While detailed discussion of these concepts is not attempted here, the triple alliance was to find its fullest expression during the period of military rule from 1964-1985 (and especially between 1968 and 1981).

Ostensibly the military in Brazil had intervened to halt the country’s potentially leftward shift coupled with rising inflation. But unlike the situation in Chile almost a decade later there was little reason to impose neoliberal policy approaches to reverse those of a ‘socialist interlude’ since the groundwork was already set in an essentially liberal mould. At the same time, while it suited the military agenda in Brazil to expand the State role as part of efforts to enhance the industrialisation drive, the priority was nevertheless ‘to make market capitalism work’ (Fishlow 1973). Moreover, as Rocha (1994) emphasises, [the military government] expanded both its indirect intervention to perfect the market and its direct intervention [via state enterprises] to provide important inputs to the private sector at subsidised prices, becoming what in Brazil [following on from Cardoso 1990] has been referred to as a “privatised” state’ [as distinct from the privatisation of state enterprises which was to come mainly in the later 1990s].

The central point arising from Brazil’s development experience in the military period is that the policy matrix was largely run along orthodox liberal lines. However, it was abundantly clear at the start of the 1980s, as the country’s foreign debt became unsustainable under a regime of increasingly high international interest rates from 1981 (and as inflationary pressures intensified amid mounting difficulties for public sector finances), that the emphasis such policies gave to attracting increasing volumes of foreign loans to underpin the industrialisation drive, had its drawbacks.

Against this backdrop, the return to civilian rule in 1985 was from the outset undermined by the legacies of the preceding regime. Not surprisingly there was something of a radicalisation of the economic policy stance after the initial phase of Jose Sarney’s administration in March 1985. This had begun with the strongly monetarist-oriented Francisco Dornelles at the helm of the finance ministry and Antonio Carlos Lemgruber at the central bank. But policy differences with other members of the government, not least planning minister Joao Sayad who championed a fresh approach to macroeconomic management combining adjustment/stabilisation with growth as a route out of the crisis, led to their resignations in August, and ushered in a new team headed by Dilson Funaro at finance and Fernao Bracher at the central bank. Perhaps more importantly for the articulation of policies which was to develop over a longer period, and particularly during the Cardoso years in government from 1993, it was at this time that a group of young economists including Persio Arida,
Andre Lara-Resende, Francisco Lopes and Edmar Bacha were drafted in (see Carneiro 1986; Chacel, Falk and Fleischer 1988).

At the risk of oversimplification, the first civilian government under Sarney was primarily caught up in trying to deliver solutions to the twin crises of debt and high inflation alongside efforts to build democratic institutions and re-drafting the constitution (over a two-year period from 1986-1988). In the main, the drift of policy through 1986-1989 was towards heterodox plans, led by the Cruzado plan from February 1986. This came during a period when many other Latin American countries which were also adversely affected by the debt crisis were under increasing pressure to adopt orthodox (effectively neoliberal) policy prescriptions to secure IMF backing as part of debt rescheduling moves. In this regard, Funaro's stance was unequivocal, and from November 1985 he indicated that Brazil would seek to renegotiate its foreign debt without an IMF accord. This indeed held beyond Funaro's tenure, through the Brady deal (April 1993), and recourse to substantial IMF finance (and conditionality) was largely avoided until almost the end of Cardoso's first term in 1998.¹

Cardoso's Stance (1): Political and Global Realities

During the Franco interregnum, Cardoso's ascendancy as a politician (and future president) was rapid, and his brief spell as foreign minister (prior to being appointed as Franco's finance minister in late May 1993) undoubtedly strengthened his, and Brazil's, profile in the world's key financial centres, especially among the commercial banks bent upon recouping payments arrears dating from Funaro's suspension in 1987. Even so, it was far from readily apparent that Cardoso, as a key contributor to the Latin American dependency literature and co-founder of Brazil's Social Democratic Party (PSDB) in 1988, should have been the man to take forward the neoliberal agenda as encapsulated in the Washington Consensus.

Nor, indeed, is it clear from the period during which parts of that agenda appear to have been applied, that Cardoso and his followers, who 'for some years have spoken of the end of dependency theory in the sense of rejection of the theses it denoted during the 1960s' (Dos Santos ibid. 1998 p61), have explicitly embraced neoliberalism per se. In this regard, Cardoso is sparing in his use of the term 'neoliberal' and would almost certainly reject such a label. Rather, a central focus of his concern, approach, and discourse since becoming president has come to revolve around how the country should deal with the challenges presented by globalisation on the one hand and on the other, how to articulate appropriate policies in Brazil's complex political battleground.

As things stand, a definitive account by Cardoso is wanting, but there are reliable indications of his intent from a close reading of some of his in-depth interviews, speeches and (more rarely) research presentations. One important glimpse into his apparent thinking comes in a paper delivered to a conference on globalisation at the Colegio de Mexico in February 1996. Cardoso's introductory remarks, in particular, convey much about the differences in approach between Cardoso the academic and the politician, while later on there are pointers to the fact that his theoretical stance may be in a state of flux: 'I do not intend here to address this issue [globalisation] with the rigour of a man of
science, among other reasons because in everything I have read about Glob­
alisation, I perceive that there is as yet a lack of a 'unifying theory' to explain in
depth the genesis of the changes and the course of the rapid developments
underway in contemporary economic reality. Academia, it appears to me, is
still in the process of mapping and understanding the set of events which are
changing the lives of nations at a heretofore unimaginable speed. But the tim­
ing and motivation of the Politician are essentially different from those of the
Social Scientist. The Politician cannot wait for the sedimentation of knowledge
in order to act. Should he do so he will be overcome by events' (ibid. pp5-6).

Cardoso goes on to recognise 'the extraordinary changes which have oc­
curred since 1989, [implicitly, with the collapse of the Eastern bloc] one of
which has been the acceleration of the effects of Globalisation, reveal the limi­
tations of the theories and hegemonic ideologies of this century. This is true not
only of Marxism; both classical liberalism (...) and social democracy (...) re­
quire a radical reformulation which has as yet not been forthcoming' (ibid. p7).

Moreover, he suggests (pp 12-13) that new forms of capital expansion and
other changes in the globalisation process ‘...contribute to the obsolescence of
the theories which sought to explain the system of economic and political rela­
tions on the basis of the Marxist concept of imperialism. When Enzo Faletto
and I worked on the building of the Theory of Dependence, the sub-strata of
development on the periphery of capitalism, especially in Latin America, was
the internationalisation of the markets. However, at that moment, another
phenomenon was emerging which was still hard to perceive in all its aspects
from the conceptual viewpoint of the 1960s. While markets were being in­
ternationalised, in Latin America and the developed West production was also
being internationalised, which was to cause an impressive expansion of the
flows of international trade'. Since then, of course, other dramatic changes
have been taking place in international finance and in what he describes as 'the
hegemonic notion of the standardisation of economic and commercial rules
(...) so as to impede the creation of artificial advantages in a given country'
(ibid. p15).

Above all, Cardoso emphasises that developments linked to the recent glob­
alisation process have had a variety of other effects including: 'the weakening
of the national development projects based on state-owned companies which
had excluded the external market (p14), ...the limitation which is imposed
upon the capacity of States to choose differentiated development strategies, to
adopt heterodox macroeconomic policies.... The capital markets then act as
veritable monitors of national activities; any measure, however correct it may
be from the domestic viewpoint, which might signal a false step or upset foreign
investors, leads to short term capital flight, which in turn seriously affects the
financial system of the country'(p15-16). (This was to find particular resonance
in early January 1999 when ex-president Itamar Franco, the new governor of
Minas Gerais state, declared a moratorium on debt payments to the federal
government for 90 days, prompting market fears of a repeat of the debt debacle
in Russia the previous August, further undermining confidence in Brazil and
contributing to the factors leading to the devaluation of the Real on 13 Janu­
ary).

Some of the implications for governments and the State are spelt out: 'The
orthodoxy or conservatism of this type of insubstantial though influential tri-
Susan M. Cunningham

bunal places constraints on the capacity of governments to operate, since, on
the one hand, governments cannot simply ignore these factors which condition
contemporary reality, and on the other hand, they are obliged to seek among
the contradictions and inconsistencies, and also in the windows of opportunity
of the emerging system, strategies capable of reaffirming the priority of the
national interest, of strengthening the vocation of countries such as our own for
sovereign self determination, and above all, consolidating our capacity to influ­
ence the building of the future (ibid. p16). With globalisation, the State needs
to recompose its functions. Thus the mission of the State to provide steering
capacity for development becomes much more important than the patently ineffectual attempt to take the place of private enterprise in the production of
goods and services which are not of an eminently public nature (...) due to its
new role, [the State] should intervene less often and more effectively, as it has
increasingly restricted options in terms of economic policy, as a consequence of
the necessary fiscal discipline and austerity in public spending (ibid. p17). That
having been said, Cardoso is clear that ‘Whether the proponents of neoliberal
ideologies like it or not, the State is still an essential reference, as an instrument
for organising the transformations, and the modern politician cannot and
should not abdicate this responsibility’ (ibid. p18).

Cardoso’s Stance (2): The Real Plan as a Neoliberal Response?

For the most part, the thrust of academic discussion concerning the stabil­
isation effort from 1993 under the aegis of the unfolding Real plan and the
constitutional (and other) reforms pursued by Cardoso during his first term of
office from 1995 through end-1998 broadly assumes that the moves represent a
neoliberal response to the cumulative difficulties facing the country.2 On the
face of it, this appears to be so, especially when viewed in the context of the
original key points covered by the Washington Consensus (a la Williamson):
fiscal discipline; control of public spending; tax reform; financial and trade lib­
eralisation; exchange rate regime; opening to foreign direct investment (FDI);
privatisation; deregulation; and intellectual property.

Yet, there has never been an explicit commitment to this agenda as such by
either Cardoso, his PSDB, or indeed, his administration. Rather, selected as­
pects have been pursued as appropriate to the particular circumstances of the
Brazilian economy taking into account how best to further the country’s in­
terests within the emerging globalised scheme of things. In pursuing its home
grown strategy, Brazil – unlike its neighbour Argentina, for example – has been
relatively free until recently of having to meet fiscal and other targets negotiat­
ed with the IMF, and thus has been able to adopt a selective approach, (see: 
Batista Jnr 1996, for comparisons between Brazil, Argentina and Mexico).

But while this relative autonomy as regards freedom from international ‘su­
pervision’ in conducting economic policy (at least until late 1998) reinforces
the Real plan’s pedigree as ‘Made in Brazil’ (not Washington), nevertheless
Cardoso’s actions have been subject to the considerable constraints imposed
by domestic politics. From the outset, his government has rested upon an un-
easy alliance of forces reflected in a loose coalition of pro-government parties
in congress and a multiparty cabinet. Effectively, the PSDB-led government
has been underpinned by the Liberal Front Party (PFL), Brazilian Democratic Movement Party (PMDB), Progressive Party (PPB) and the Brazilian Labour Party (PTB).

Accordingly, measures deemed to be good for the country’s longer term future in the globalised world – from the basic stabilisation effort to the restructuring of the State and the ramifications via constitutional reform – have been subject to extensive negotiation with the parties concerned in a bid to reach consensus, which has not been easily won (and in fact, on many issues, particularly affecting fiscal reform, often not won at all). Three-fifths majorities in two rounds of voting by both houses of congress are required to effect constitutional changes such as those needed for the restructuring of the Brazilian economy which is part and parcel of the Real plan. This was the case regarding a whole raft of the so-called ‘Economic reforms’ put in hand from 1995 (which paved the way for extensive privatisation and the opening up of the economy including equality of treatment for foreign investors), presidential re-election, and the reforms in the Administrative and Social Security spheres embarked upon later in Cardoso’s first term. (The regulatory changes for the latter were still being completed at the start of the second, with Fiscal reform – and possibly political reform – still to come.)

In this complex process, Cardoso’s administration has also been heavily reliant upon the use of special decrees known as Medidas Provisorias (Provisional Measures or MPs) to put through many legislative changes (including those which collectively make up the central stabilisation moves of the Real plan: see Franco, 1995). Indeed, it has been calculated that ‘in 53 months of Cardoso’s government from January 1995, he signed 183 MPs and re-edited 3,022’ (Gazeta Mercantil, 26 May 1999). The same source points out that in the eleven years during which MPS have been in use, 378 have been converted into law with 3,298 re-edited (and a further 21 rejected). Sarney, the first civilian president following the end of military rule, signed some 125 MPs, re-editing another 22, while the balance were executed under Collor and Itamar Franco. To some extent, it can be argued that the MP – which once issued is deemed to be in effect for 30 days during which time it must be approved or amended by congress, but after which it can be re-edited by the Executive – subordinates the role of legislature in a bid to secure non-constitutional changes vital to Cardoso’s strategy of stabilisation and reform.

In large measure, too, Cardoso relied during his first term on the creative abilities of two close associates, particularly as regards forging congressional support (not least in pushing through the amendment to permit presidential re-election), and helping to fend off difficulties before these erupted into crises. These associates were communications minister Sergio Motta (PSDB) and government policy coordinator Luis Eduardo Maghalaes (PFL) – son of the powerful former governor of Bahia, Antonio Carlos Magalhaes (‘ACM’) who currently is senate president. The unexpected, premature deaths of both men in April 1998, less than six months before the elections on 4 October in which Cardoso was to run again, undoubtedly had a bearing on the increasingly fraught relations with congress. This in turn contributed to the undermining of confidence in Brazil during the turbulent period for international financial markets in the second half of 1998 leading to the country’s return to the IMF fold in November 1998 and the devaluation crisis of January 1999 (for a wider
Susan M. Cunningham

discussion of the more detailed political circumstances surrounding the crisis see Flynn 1999).

Against this backdrop, which is no more than sketched here, it becomes abundantly clear that policy developments in Brazil during Cardoso’s administration are home-grown, the product of the country’s unique situation and modus operandi, having little in common with neoliberalism per se or its ideology. To be sure it has applied some of the policies which are associated with that paradigm as manifest in the Washington consensus – not least the opening up of imports which played a key part in the anti-inflation strategy, and the sale of state assets and concessions. But the assumption that such options as have been pursued have been driven by neoliberal values is misplaced.

In this regard, some years before, Luiz Carlos Bresser Pereira, who in addition to having been finance minister under Sarney in 1997 was Cardoso’s minister for Administrative reform until late 1998 when (that job done) he took the Science and Technology portfolio (a post he then lost in the cabinet reshuffle of July 1999) and was as well a central player within the PSDB leadership, made some important points about neoliberalism and its relevance to Brazil. At the time (1991) he was reflecting upon the applicability of such a label to the then president, Collor – who, he concluded, was not a neoliberal but a ‘modern conservative’ – and to Brazil. He emphasised that neoliberalism, as an ideology of the ‘new right’ is ‘old economic liberalism modernised by the neoclassical microeconomics of Hayek, macro-monetaryism of Friedman, the new classics of Lucas and the State politics according to the School of Rational Choice of Buchanan and Olson’, and cites the exemplars of the UK under Margaret Thatcher and US under Ronald Reagan. Crucially, he asserts that: ‘...neoliberalism in Brazil is not an ideology effectively used by significant sectors of the political “class” and of business. It is not a relevant ideology for Brazil...’ (Bresser Pereira, in David and Jaguaribe 1991, 28-29).

More recently, in a key 1997 interview, Cardoso, in discussing his ideas about the new state architecture he is creating in a bid to eliminate the authoritarian inheritance from the eras of Getulio Vargas’s Estado Novo and from the military period from 1964-1985, explains the basis of this action. ‘We’re not abolishing the state in the name of what 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 quite a different matter. How can the citizenry control the public sector? We need clear rules. That’s what is happening now. We’re privatising the state-owned enterprises and at the same time creating a system of regulation to prevent what has happened in other countries where privatisation without regulation has led to the emergence of monopolies and sky-high tariffs’ (Cardoso 1998, 22-23).

Social Democracy and The Third Way

How, then, do we categorise the policies pursued by the Cardoso administration, and what structuring principles (or ideology), if any, can be identified? This is an obvious question, but one which hitherto has received scant attention. Part of the answer must be that the central underpinnings are rooted in perspectives derived from social democracy which Cardoso and the PSDB em-
braced with the split from the PMDB in 1988. Insight into the thinking informing the party’s early demeanour – and perhaps the unfolding of its project for government – comes in the collection of papers already cited by David and Jaguaribe (1991), prepared at the time of Collor’s presidency when the first wave of ‘neoliberal’-style policies were being introduced.

One of Jaguaribe’s own contributions to that collection situates the PSDB in relation to the broader, predominantly West European roots of social democracy, and the changes in orientation experienced during the second half of the twentieth century (notably, the collection also includes papers from two prominent Europeans: Oskar Lafontaine of Germany and Alfonso Guerra of Spain with the final chapter from Cardoso). Interestingly, Jaguaribe acknowledges that: ‘in more recent years [then referring to the late1980s/early 1990s when the fall of communism and the end of the Cold War was at hand], the social democratic model underwent an important critical revision from currents of a neoliberal tendency’ although he goes on to assert that such revisions ‘did not affect the essence of the model’ (ibid. p15).

Moreover, Jaguaribe went on to observe that it was time for the PSDB to make a constructive contribution to the Collor government, asserting that the economic components of the so-called ‘Project for National Reconstruction’ issued by Collor on 15 March 1991: ‘went perfectly well in meeting the country’s needs and corresponded with the PSDB programme’ (notwithstanding the need to reformulate certain aspects of social policy). Implicitly, then, the PSDB, in which Cardoso was a central figure, and the party’s leader in the senate, already had a project for government.

As we have seen, the opportunity to begin implementing it came when Cardoso took the reins at the finance ministry in May 1993. In practice, the plan which eventually emerged as the Real plan had to confront a much more serious situation as regards stabilising near-hyperinflation than could have been anticipated back in 1991. This initial obstacle had to be overcome in 1993-94 prior to setting about the broader project for restructuring and reform which the PSDB appeared to have in mind in 1991.

Once stabilisation had been partially achieved, becoming a key factor generating strong popular support for Cardoso in the presidential race of October 1994 and bringing him to power from January 1995, the PSDB ‘project’ was increasingly subject to the vagaries of a political process in which concessions often had to be made to parties making up the pro-government alliance. The extent to which the core alliance partner, the conservative PFL, had an impact in this respect is unclear, but the late Luis Eduardo Magalhaes is reputed to have remarked in September 1997 that Cardoso would fulfil the programme of PFL.

Undoubtedly, much more light needs to be shed upon the internal debates within PSDB and the intricacies of the extensive negotiations between Cardoso, his close aides and the coalition before being able to draw firm conclusions about the factors shaping the policy agenda especially during Cardoso’s first term. Yet, reflecting upon the developments from 1993 until the crisis which unfolded from mid-August 1998 in the wake of the devaluation and debt default in Russia, and the piecemeal evidence from Cardoso himself, it seems that Cardoso had been attempting to tread a path through the complexity of the country’s political economy alongside efforts to reconcile solutions appropri-
ate to his (and the party's) social democratic leanings with the demands of a rapidly globalising world.

This finds a resonance in what Giddens discusses as the reincarnation in the late 1990s of 'The Third Way' as a structuring concept for the renewal of social democracy. According to him, the concept refers to 'a framework of thinking and policy-making that seeks to adapt social democracy to a world which has changed fundamentally over the past two or three decades. It is a third way in the sense that it is an attempt to transcend both old-style social democracy and neoliberalism' (Giddens 1998, 26). While Cardoso can be expected to resist being identified with any particular 'label' and appears hitherto to have avoided reference to the third way concept as such, Giddens in a more recent article (May 1999) asserts that: 'Discussion of the third way has now become a global affair. One of its most prominent expositors outside Europe and the US is the Brazilian President Fernando Henrique Cardoso' (Giddens, May 1999, 25).

The precise basis for Giddens' assertion is not specified, but it is certainly the case that Cardoso has increasingly become a key participant in the high level deliberations on the third way (terceira via in Portuguese) championed by the likes of UK Prime minister Tony Blair, German Chancellor Gerhard Schroeder and US President Bill Clinton. As part of this, Cardoso was most recently scheduled to contribute to a summit of this group in Florence, Italy in the second half of November 1999, focusing (among other items) on aspects of 'progressive governance'.

After the turbulent year or so experienced by Brazil, particularly after the January 1999 devaluation which severely eroded the popular standing of both Cardoso and his government, it remains to be seen whether the Florence meeting has provided fresh initiatives for social democracy and the third way other than those that are in the vanguard of the movement. For Cardoso, a central question as the country enters the twenty-first century is whether he can maintain the political balancing act so critical to whatever path he may be following, with a view to delivering sustained economic stability and the improved social equity which is ostensibly at the core of his government's project.

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Notes

1. An IMF standby arrangement in 1988 lapsed with only a small drawing having taken place; another 18-month standby was agreed in January 1992 as part of negotiations for the Brady deal but also lapsed with a single tranche of 375m SDRs drawn down.

2. This observation is based on works contained in key research journals and books devoted to Latin America since 1993, many of which feature contributions by Brazilian scholars, although a comprehensive review of the literature in Portuguese has not been undertaken for this paper.

References


Baer, Werner, Kerstenetzky, Isaac and Villela, Anibal. 1977. ‘As modificações no papel do Estado na economia brasileira’ Chapter 11 in *Baer, W.* 1997 (ibid.).


