

Transcrição

Joaquim Levy: JL

Moderator: M

Student: S

M: You started off as a naval engineer, you were then a banker, in between you have the IMF, you went to the public sector then back to the private sector and now you've taken up this, to say the least, challenging job, it could be great to hear about your personal journey.

JL (0:24): Well first it is a great pleasure to be here; Janet so glad to see you, Luis and so many others here. It's really great, not the least because I think that education is such an important thing for Brazil. To get more skills to have more people really eager to devote time to learn, to practice, this is what really makes a difference for a country. And I think in some ways it is what played an important role for myself, the opportunity to get new challenges, to use what I know, the skills I have, to address... faith to change the environment. I think in many ways it is what ultimately propelled me to use the opportunities. And also I think that when you are trained when you also keep yourself up-to-date in some things you are ready. [...] Here in Brazil people say that you have to jump on the horse when the horse passes by, and if you are prepared you can ride it and do good things. So I think that a lot of the things that led me to different opportunities were related to know some math. Many of you know that Engineering is a good base for parts of Economics and I am sure that you keep telling your students all those second order differential equations and boundary conditions, they just happen to be the basics of heat and mechanical engineering. So things are linked when you look beyond the specifics. And then there is also the practical experience which many of you in business school really get firsthand and which also helps you to address in a very pragmatic way any problem that you have to try to solve.

M: So talking about problems to solve, let me get to the heart of the matter, which you will probably get asked about: what are the key issues that you face in your career currently?

JL (3:00): I think the main thing is to prepare Brazil to a new cycle of investment. I have been telling people that the commodity cycle is over and this is good. We have been through that [super-cycles] a few times [in history] and we still have so many things in our favor that if things are a little bit more difficult it is not a reason to be depressed or in doubt. What is going to happen to Brazil? Well, the worst thing might be that maybe we will have to work, and work a little bit more. But that is not a problem. What is the implication for public policy? **The implication is that you cannot not make mistakes and you cannot for instance overburden the economy with expenditures, with taxes.** So I have been telling my new friends in Congress and elsewhere "guys we do not have a real problem but we can get a problem if we start to make mistakes; so now is the moment to try to get the right diagnosis, to say well, all this talk about productivity is for real and then let not create incentives that will work against us".

Because one very important thing in public policy is that often there are things that [some] people don't perceive very much but really slow down the economy. [However] people look at the environment, they do not get so excited so they do not want to take more risk. And if you add this for all millions and millions of people who make decisions, it means lower growth. In many ways, since you mention I am a naval architect, it is below the waterline, but [if] you have all that barnacle you can make a lot of effort, but you are not going to sail very quickly. You have to get rid of all this burden and have a clean hull, so that you can sail and be competitive in this world

M: So one of the things that you just mentioned is that you know there is less margin for error right now, especially in terms of policy. But I would like to flip that in the next question. Therefore what would constitute success both for policy and for you as the finance minister?

JL (5:36): The metrics is very simple. **We want more employment, we want growth, we want better use of public resources. But we also need to get in some areas a little bit more at the frontier of technology.** And this is not because I have a new little program that is going to help more to nurture it. It is because people will see the economy is working, it is worth taking the risk getting into a new area. This is what we need to get success. **Success will be this, will be growing, will be to have more employment and also people taking challenges in new areas so that we develop as a country new skills and new abilities.**

M: And In order to get there is both the economics of where you want to be and the politics of getting there. Your thoughts on the equilibrium to implement these ideas would be appreciated as well.

JL (6:50): I think that we are a democratic country, so we have to be able to express [ourselves]. And again, clarity of where you want to go is very important so you do not get lost. **To have the ability to tell [it to] people, first we have to feel where they come from and say ok we empathize but let's do that and that.** So I do not want to use the time to get into details of what we are doing but what **I am telling people in Congress is that this is not something we are doing just to save money, the "ajuste fiscal", but there is more.** We are reengineering the economy for this new world I have been talking about. Among the measures we have been taking, we are changing the incentives for unemployment benefits not so much that we are just saving money, [but] we are improving the labour market. We are reducing the turnover, especially among young people. You are also giving them the incentive so there are other things to learn; you may want to flip job because you want to get more experience; fine, but then do not do it at the expense of the government, things like this. And there is the question of pensions. I am going to tell you a little secret, here in Brazil most people do not like to pay taxes [M: that is not a problem unique to Brazil!!!]. It is not that they do not want to pay taxes, they do not want to pay social security contributions, it is a big fight all that. So let's also think on how we can save on social security. So part of the reform that we are doing are things that are not taking away [people's] rights but are improving programs. We

are avoiding not so much just frauds and abuses but also things that have changed the objective of some programs. And [here], for instance, some training on understanding what is the basic objective of policies is very important. Because then you can say I want these things to do that, and differentiate from another program. Because also when you get this blur of different programs, then you do not know what they are doing. And more and more, especially in a democratic country, you need to be able to understand what the objective is, [in order] to have a measure of success. And **you can only have a measure of success if you know what you want and this applies to social and economic programs where the bulk of our money is spent.** So I think this is more and more a demand of society, how can we measure success of public policies.

M: I would like, given that a significant fraction of the audience comes from businesses and financial services sector, in addition to the macroeconomic picture that you obviously care about, how would you like the private sector to be better, different, bigger in Brazil as well as financial markets? Your thoughts on those.

JL (10:19): Of course we want to have more competition, competition is good, competition spurs innovation, we cannot get complacent and for this we need competition in all the marketplace. And we are working on it. It is good, some of our ministers, even in trade, they have a more open perspective, they welcome competition from abroad and competition inside the country. We are trying to harness the forces of capital markets to finance. One of the big challenges of Brazil is to finance infrastructure. We have to get a good design for the concessions, for the bids so that people feel confident about what they are doing and they want to take risk. Then, if you have a good design you can get also good financing and you do not have to depend so much on public money to get some of these big projects going. **The role of the state in infrastructure will always exist [because] infrastructure is something that is so big, involves so many things, but the main role of the government is what? It is to coordinate so that people can take the right risks, if that is a slice of the projects.** So that will be a great way for the private sector to participate [in infrastructure], both domestic financial institutions, global financial institutions. And I think that if you do it right, do get these reforms going in Brazil, get into infrastructure, lowering the cost of doing business in Brazil, it is good for Brazil and also great for those who invest. Because, ultimately, if you look through time, investing in Brazil is a good deal. We have some companies, I am not going to name [them], but some banks have been dealing with Brazil for 170 or 180, 190 years, from our independence. You may ask about that to some people. So they have been involved with Brazil and are making profits for all those years. So [Brazil] is a good place to do business.

M (12.48): One big picture kind of question. I hope you have a long and successful tenure, but, when you are done, how would you like to be remembered?

JL: Oh, my goodness, that was not on the script, come on! **What we want is to have a country with strong institutions, where you can apply your skills and where merit is really rewarded. I think that is what most people want.** If I ever want to be remembered, it is really as someone who believed and acted along these beliefs.

We are very fortunate to be in a country where there is a lot of freedom and opportunities. It is upon on us to continue to build it. And, when you look around, there are few countries that offer more than Brazil. This has to move us on our guts to get the energy to fight. Because, of course, there are many problems, there is poverty, there is the good use of resources, lack of competition...You have to fight. **But we are so fortunate, we are a group of people that, within our society, we have a lot, we worked a lot, but also we are endowed with so much!!!** So, to have this faith to use that to build more. To know that there are enough people that think like us so that we can succeed to build a better country. I think that is really what motivates me.

M: That is quite an inspiring version. In particular, one feels that is a rightful place for Brazil as one of the leading economies of the world, given all the endowments that you talked about, not least of them, the people...So as they say. I am from the American mid-west [...] The one question I have asked a lot of people, and I will ask you too, is when you are not working, what do you do? Probably not in the last few months...

JL: How should I put it? I am fortunate to have a small craft that allows me to be close to nature and really enjoy nature very closely. (...) That is how I relax.

M: OK. Now I am envious. I mean, I just watch TV. Shall we open it up to the audience?

JL: Absolutely

M: So, feel free to raise your hand. I think the room is small enough so that you can shout out the question. Otherwise, we can pass out the micro. Let's get to the first question.

S: (9:13) It is really a great treat to read the papers every day, because we are almost always treated to a smiling face, to an optimistic point of view, and a confidence that things are going to get better. What worries me is that unfortunately we don't yet have a large number of newspaper readers in Brazil. And I wonder, Doctor Levy, if you sense any sort of boundary put on you. Or you feel that you will be able to have a chance to speak more directly to Brazilian people, who after all will be delighted to hear your message about [...] and will perhaps be much more willing to cooperate with the somewhat bumpy path in the near future.

JL: (18:24) We have all limitations and everything. But, again, Brazil enjoys so much freedom. And I am told that sometimes I appear relaxing in those equipment that you use in the news, usually very...soundbites. The other day I had an experiment with this. I don't know how you call it, it was something on the social networks and people send you hundreds of questions and you try to respond, and young people ask you all sorts of things. I have sometimes ventured into these social networks. More generally I think that **talking is very important and listening is also important. To understand what people are afraid of, what their desires are and what their expectations are.** I think this is fundamental so I try to talk to people, all sorts of people. For me it has been very gratifying. **I have been talking to people from Congress. They have a different view, because everybody comes**

from a different perspective. Everybody comes from a different perspective. Then you will understand a bit those dynamics.

M: *Other questions?*

S (20.00): *Minister Levy, I would like first to thank you for coming here. We have been experiencing, for the last 4 years, a very unique way of doing business in the country. You have been privileged enough to be on the other side and to have a specific view. Can you share a little bit what you feel that has changed and how it is changing? Can you tell something on the technical people you are working with, including the support that you have? Which direction do you think this new vision of the government has to take for the next 4 years?*

JL (20.40): I think that the president mentioned, not long ago, a couple of weeks ago, that some of the approaches were exhausted. There is this realization that some things that were tried didn't bring the results. I think it is a learning process. We know about many of the mistakes that were made. I think it was an easier time. This is the reason why we have been telling people: "Look, be aware not to make mistakes". I think that you have to continue to work. It is a really tough work that requires patience. You have to work more and more to find new things, like when we talked about competition, when we talk about getting the right design for something like an auction and so on, so forth. I think that there is a genuine desire by the president to get things right, sometimes, not in the easiest way, ... not in the most effective way, but there is this genuine desire. I think, again, this is part of our training.

And I have to tell you something: you know, I took the Major Field Test exam [for my PhD in Economics] at the [University of Chicago Booth] business school. I think I took three courses in the department; I took Finance with my dear Professor Constantinide. Many years ago, going to Booth was already a great source of learning for us from the economic department. I made this digression because a fundamental thing is that you have to work hard to find the causes [of things]. Sometimes, you make a small change in causes and you get a big change in the symptoms. I think an often-made mistake is to look at a symptom and try to find a way to deal with this symptom. You have to go differently, and this requires a lot of patience. I was lucky to work previously in government, I worked with Minister Malan and also with Minister Palocci, people who are very thoughtful, people who take time to think, to try to understand, to talk to people [to find the causes of the symptoms]. I have [now] gotten a great team; some are old hands, some are people from different venues. It is fundamental to have a great team at the Ministerio da Fazenda. We also have a great partnership with the Central Bank and with [the Ministry of] Planning. People who are very experienced. I think there are conditions to do good work.

S (24.00). *Joaquim, good to see you, thank you for coming again. I would like to get your first thoughts on your plan. You are getting closer to the 100th day. It's getting by. So, how are things going against your plans? I understand you probably had it very well planned. And where are the bright spots that you are seeing and what are the things that are becoming better than you expected at first?*

JL: Well, of course, there are some things that are not completely planned and there are things that happen along the road. We get stronger signals that we may have a first interest rates hike in the US. This has created many changes around the globe. Here, of course, we are undergoing a very important institutional process that goes in parallel to the economy and, of course, this creates some impact on some things that we are planning. I would say that, first, I think that there is a great realization of people that we needed change. And this is important, this is democracy. It is a tough job, even for the government. **I mean, it is difficult to adjust, to change, to plan, to convince people, but I think that the fact that most people have realized that we need change is a positive thing. Also you have some measures that are in Congress, that are being discussed quite deeply. So I think that a consensus is being built around that. This is very important. If you manage to get these measures passed, it will be certainly a stepping stone to do more.** In addition, there are other things going on. We are building concessions, we are trying to make some changes in capital markets. For instance, look at the whole thing about the realignment of prices: energy prices, both gas and electricity. These are important things because they create a new environment for people to make decisions.

[pause]

JL: I have to take a flight because I have a breakfast in Brasilia tomorrow morning. I have to leave before, because of the time to get to the airport. I am really sorry that I can't answer some of the questions. Thank you!