

**STRUCTURAL REFORMS IN BRAZIL AND CANADA
IDEOLOGY AND PRAGMATISM**

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“The test of our progress is not whether we add more to the abundance of those to have much; it is whether we provide enough for those to have too little.”

Franklin D. Roosevelt

1.Introduction

Brazil and Canada derive from European States and have been colonized, respectively by Portuguese, English and French. In one country, as well as in the other, European culture earmarked their political and economic institutions. Both reveal a state culture and both were economically developed within a model based on State intervention in the economy. Neither one nor the other knew in its past economic and political liberalism as dominant powers in economy and politics and both have a dense catholic background. Historically, they bent more towards social - democracy than to liberalism.

Notwithstanding those similarities, but comparatively observing the processes of economic reforms executed or under way in both countries, some questions arise: why within a decade both countries broke up with this state tradition and adopted liberalism as the determining economic vector? What was the weight of globalization in this change? The nature of the implemented reforms is based on ideological or pragmatic presuppositions?¹

The goal of this article is to deal with these questions. And, at the same time, to examine whether the structural reforms were motivated by an ideological change or were simply conducted by a pragmatism resulting from the economic and financial crisis of the State and the new reality imposed on both countries by the globalization process.

¹ - The first mention to the word ideology occurred at the end of the XVIIIth century. It was invented by the French Destutt de Tracy (1754-1836). Its political connotation appeared during the time of Napoleon. He used the expression “to denigrate not only intellectuals such as Tracy, but all men of ideas under the allegation that they were all blind to historical reality in search for abstract truth and problematic criers of ideas in his fight for reform and progress. In this article the concept is used as belonging to philosophy, or, as Watkins and Kramic appropriately expressed: “we used the term [ideology] in its most colloquial sense, as a group of ideas that embrace visionary and grandiose schemes of social change. Ideologies, for our purposes, they say, are patterns of a political creed that introduce normative visions to political life. These visions of an ideal order include, in general, highly articulated attitudes on human nature, on the relationship of individuals with the state and society, on the relationship between economy and political order and on objectives and purposes in general.

Pragmatism etymologically defined as a theory or method of dealing with “real things” can be identified as a philosophical school, a doctrine or mental attitude, which must be understood as a reaction to intellectual speculation and also as a line of action or method. In this work the last option will be used, which privileges a rational choice, non-ideological. Giovanni Sartori precisely conceived a contraposition between ideology and pragmatism based on a double dimension of the systems of political creeds: the cognitive dimension and the emotional dimension. The ideological systems of creeds are characterized, on a cognitive level, by a dogmatic mentality (rigid, [impermeable], both to arguments and facts) and, on an emotional level, by a strong passionate component which confers them a highly activist potential; while the pragmatic systems of creeds are characterized by opposite qualities.

2. The International Context

Partly due to globalization, policies aimed at reducing State activity in the economic field have been adopted in both industrialized and developing countries, with good initial acceptance.

Structural reforms are in the political and economic agendas of four of the most populous and most territorially extended countries in the world: Brazil, China, Russia and Canada. Which means, they will be affecting the destiny and the quality of life of more than 30% of the world population, scattered through roughly 30% of the earth's surface.² That means, the reforms will reach more than 1,5 billion citizens living in different continents, affecting economies that, together, make up for a GIP of more than US\$ 5,9 trillion. If we add another giant like India, which also inserts itself in the theme, we come up to about half of the world population the number of people whose lives will be affected, one way or the other, by nature, success or failure of the structural changes. The greatness of these numbers and its the impact on institutions, citizens, businessmen, workers, politicians and governments of those countries, reflect by themselves the political and economic importance of institutional changes. The same can be said of the conflicts, ideological or not, resulting from this process. It reveals itself as a crucial matter of this *fin de siècle*.

This group of countries, with have some of the largest markets in the world and at the same time so cultural and politically distinct, are identified by the development of democracy and the liberalization of the economy. This is more evident in the cases of Canada, Brazil and Russia than in that of China.

Within the Latin-American context, three experiences – Brazil, Chile and Argentina – are especially interesting.

The Chilean case is the oldest in the region, built up during the “plumb years” of General Pinochet's regime. It is basically characterized by radicalism in the implementation of economist Milton Friedman's ideas, ideologue of the modern economic liberalism from the well known “School of Chicago”, as well as by the fact that, among the three analyzed countries, it was the only one where economic openness preceded political openness. Argentina, on the other hand, let the huge militarist wave of nationalist fury, topped by the Malvinas war, and one civil President pass, so that the second one directly elected – Carlos Menem – of peronist origin, came to deny his ideological origins and embarked in an overwhelming program of reform of the state in the best neo-liberal way.

The State was central for the economic development of Latin-American countries for, approximately, 50 years, from the beginning of the thirties until the end of the eighties. Political changes (re-democratization in Latin America and the collapse of communism in East European countries) as well as economic ones (revival of neo-liberalism and advent of economic blocs in other continents) are deeply transforming the role and design of the State. In these and other developed world countries, such as Canada and France, for instance. This particular country, despite being the cradle of

² - ONU, World Bank and IBGE.

ideology, has been conducting structural reforms based on a pragmatic view of economic problems.³

In North America, the phenomenon has occurred again. Canada also promoted significant reforms, initially pressed by *the Canadian – United States Free Trade Agreement (CUFTA)* – agreement signed between Canada and the United States of America, with the intention of suppressing trade barriers between the two countries within ten years – and afterwards by the compelling need to adhere to the *North American Free Trade Agreement (NAFTA)*, together with Mexico, enforced on January 1st, 1994, not to mention the pressure of the globalization process, already present.

Whatever the case, structural reforms did not end state intervention in the economy – as their opponents proclaim – but regulated its limits, allowing for the national economies to adjust to the new realities brought by globalization. A complex and difficult task, by the way, which does not enjoy unanimity among liberals.

3. Concepting the Brazilian and Canadian problems

In Brazil, the interventionist State became known as the Vargas Era, that is, the time during which this economic policy model coincidental with President Getulio Vargas's tenure in office (1930-1945 and 1950-1954) was in force. It stayed in force for decades afterwards, and built up the style of the Brazilian economic development, which remained unchanged until the end of President José Sarney's term, in 1989.

A group of structural pressures altogether, legitimized the policy of structural reforms implemented in the nineties. They were: The collapse of the Soviet State in the international arena; the election of President Collor; rampant inflation followed by a grave fiscal crisis; the end of the political model and the saturation of society with a whole generation of politicians; the incapability of the State to finance development, the revival of international economic liberalism; and the wish for more society and less State.

In Canada, since the consolidation years - which encompasses the last twenty - five years of the nineteenth and the first two decades of the twentieth centuries- economic prosperity became a vital force towards the formation of the country.

Massive foreign investment headed by England and the United States of America, guided to the three levels of government, accounted for the Canadian economic success during that period of its formation.

The impact of these years of consolidation were not only felt in the economy; the peopling of the country, agriculture, infrastructure and even nationality were hit by this boom.

Initially, Canada characterized itself as a great global food exporter. Although its national economy was very dependent on exports of agricultural products, it was oriented not only towards the North American neighbor but also towards Europe. This triangle would be politically followed by the growing involvement of Canada with the United States and Great Britain, which constituted some trademark of the modern Canada. These multilateral relations were fundamentally built from the trade relationship between Canada and those two countries. What was the starting point became practically the

³ - Silicani, J.L. on the occasion of the discussion (colloquy) on reform of the State in France and Brazil, 1997.

whole future of political economic and cultural relations of the frozen giant of the north with its two main partners.

Reforms were introduced in a country with political and economic similarities with Brazil, but also characterized by great historical and cultural differences, were introduced in 1988. They deeply changed economic policy and challenged the Welfare State in force, of social-democrat inspiration, politically differentiated from the fundamentals of the United States government. And constituted a decisive step for the country to insert itself advantageously within the new rules of the world economy set by globalization.

In this sense, the Canadian historian Frank Underhill, observes that the conservatives were the dominant political force in each important battle that took place starting with the American Revolution, the 1812 War, the Mackenzie-Papineau rebellion in the 1830's and the very foundation of the Dominion of Canada. Those who respected and liked authority triumphed in Canada, while populists triumphed in the United States. Thus, from the moment Canadian conservatives identified themselves with their English homologues, they also believed in what Harold Macmillan called "paternalist socialism".

Years after Pierre Trudeau's government, issues like free trade and structural adjustment became determinant in the electoral campaign debates of 1988, known as *free-trade elections*.

The elections which preceded the Free Trade Agreement –FTA-, although indirectly legitimated another one, the North American Free Trade Agreement – NAFTA- consolidated a commercial reality which already existed between the two countries, without meaning political or cultural integration.

The economic openness inaugurated under the conservative government of Prime Minister Brian Mulroney, after the intense debate occurred in the 1988 elections, became known not necessarily as the result of ideological changes, but of the imperative pragmatism based on the economic and political need to adhere to NAFTA. To achieve this it was a must to correct the macroeconomic unbalances and, at the same time, to attend to both the post-socialist collapse and the globalization process' pressure.

This new political posture made it viable an agreement with the liberals for the implementation of the new economic principles consonant with their ideology.

It is worth noting that two of its historical cultural and commercial partners - Great Britain and the United States – had worldly re-launched economic neo-liberalism, starting with the governments of Prime Minister Margareth Thatcher (1979) and Ronald Reagan (1980), respectively.

Changes were due to the economic conditions of the country, similar to those found in many third world nations: negative trade balance, internal debt close to 75% of the GIP, public deficit around 6% and unemployment rate near 12% of the GIP, showing a deep recession. The adopted measures to revert this situation and face new political, economical and cultural challenges were basically the following: liberalization of the economy, fiscal adjustment, reform of the public sector and a severe cut in subsidies. That means, the adoption of the remedies contained in the "Consensus of Washington", - which would also accelerate the process of continental integration – where even the most sacrificed institutions in this process where the same: hospitals and universities. As a result, government and society started living accordingly with their means.

But the Canadian effort towards fiscal adjustment was not restrained to economic reforms. The public sector was also the object of deep analysis and restructure.

Both macroeconomic inconsistencies and the decentralization of the public services claimed by the provincial government of Quebec, pressed the Canadian central government to make a list of measures called “tests”, aimed at improving government efficiency, through the reevaluation of the role and the performance of several programs and federal agencies. Six of the seven “tests” were conceived as follows:

- a) The Test of the Public Interest: Is a determined activity still necessary?
Result: cancellation of old subsidies for agriculture and transportation sectors.
- b) The Test of the role of government: Is it up to the government to play such activity?
Result: Privatization of the Air Navigation System.
- c) The Test of Federalism: Is this activity adequate to the federal government?
Result: Decentralization of several activities, in favor of the provinces that were demanding it.
- d) The test of Partnership: Could a certain activity be carried out totally by or partially together with an institution?
Result: The administration of several airports is being transferred to municipal administrations.
- e) The Test of Efficiency: Could this activity be carried out at a lower cost?
Result: This questioning affected most all tested activities.

The leader to continue and even deepen the whole process was the liberal Prime Minister Jean Chrétien, who started governing Canada in 1993, after the fall of Molroney’s conservative government and one year before the signature of the NAFTA agreement.

There was no miracle though in the economic success obtained by Canada after the reforms. The classical combination of public spending, exchange devaluation and a cut in the interest rates was decisive for the about-face that took place in the Canadian economy.

The entry in NAFTA showed itself to be positive for the development of the country, because, with the expansion of the American economy, Canadian firms started to have a more aggressive profile in their exports to the American market and began to meet an increasing demand for products and services. Certainly, the interdependence between the two economies increased, since trade between the two neighbors is beyond one trillion dollars.

In the past, also, commercial relations with the United States were so intense that the political frontier between the two countries became known as *joint stock frontier*.

Although on the other side of the Atlantic the commercial links (not to (emphasize the political and cultural ones) with Great Britain made themselves felt in the constitution of modern Canada, it became obvious that the country developed itself mainly with a double affiliation: United States and Great Britain.

The interdependence among the economies of the three countries became evident since the first years of existence of Canada as a sovereign nation.

Internally, however, contrary to this liberal face of increasing international trade and economic openness, the Canadian State is molded by intervention in the economy, on different levels of government.

As well as in Brazil, despite cultural differences since colonization – Canada has a long tradition of state intervention in the economy, as expected from a social democracy in the European style -, alert, though, to the American economic liberalism. These two realities: political and economic forged Canadian institutions, asserting their pattern of development.

Obviously, European influence in Canada, as in Brazil, is not restrained to the British. France, in an incisive manner, is part of the political, cultural and economic world of Canada. By the way, day-to-day relationship of Canadians with Canadiens and their different cultures that resist binding together, make this country a unique case in the continent. Consequently, the dilemma – coming from this double-culture reality – between Americanization and Europeanization is a permanent national concern. The institutional design of Canada could not be exempt from this duality.

4. In Brazil, reforms by the Constitutional Way

“Desestatization” was firstly used during the Figueiredo’s government.

The post 1988 structural reforms, including those in the Desestatization National Program –which had as one of their objectives the sale of telecommunications, oil and electric energy sectors state companies, among others – have strong pragmatic roots.

The openness of the economy, the modernization of the State and privatization after the 1989 elections, were introduced in the Brazilian political agenda in an incisively, continuous and socially legitimate way, never seen until then. As they had been central themes in the campaign, after the inauguration of President’s Fernando Collor government at the end of the eighties (sic), they became government priority since January 1st, 1990.

Collor, nevertheless, was not a liberalism militant. On the contrary, his political practice was much more identified with clientelism and authoritarianism than with modern liberalism. This, however, did not prevent him from practicing economic liberalism during his two years in Office. Indeed, his biography is marked by two stigmas: the introduction of neo-liberal economic policies and the impeachment.

President Itamar Franco, earmarked for his reserve before these and other national issues, not being a reformist not to say a pro-privatization, let structural reforms vegetate during his administration. On the contrary, he tried without success to block the privatization of Companhia Siderúrgica Nacional - CSN and many others that happened to occur during his tenure by mere coincidence, never by conviction.

The next President to attribute priority to the theme was Fernando Henrique Cardoso, whose presidential campaign was strongly based on the need to implement deep institutional changes in Brazil. The “Big Project”- as the Collor’s government program became originally known – which had inaugurated in Brazil’s post Berlin’s Wall Fall the neo-liberal phase of the economy -, had its original version forgotten.

But some of its basic principles survived in Fernando Henrique’s government, because some of its conceivers, although not ideological liberals, held top jobs in the

economic area of Collor and Fernando Henrique's governments, as happened with present Congressman Antonio Kandir.

However, the pragmatic character of Brazilian structural reforms hold a certain ideological profile in the sense of economic and political liberalism, despite the fact that this is not a dominant variable. In addition, neo-liberal "ideas" are undeniably accepted in influent, if not majority governmental sectors, not to mention their partisanship materialization in the "Partido da Frente Liberal" (PFL) Party of the Liberal Front, member of the government coalition and open defender of a quicker pace in the privatization program, for instance.

The very President Fernando Henrique Cardoso, although a member of the social-democrat party, the PSDB, is indeed practicing a new pragmatic economic model based on the ideas of the new labour, which, on its turn, also inspires the economic policy of the present English government of Prime-Minister Tony Blair.

A list of arguments in favor of pragmatism as a vector of reforms can be made, such as: 1) abandon of ideology by both the political parties and the very society, the biggest example being the high grade of personalization of the national political life; 2) absence of a liberal tradition consistent with Brazilian modern political history; 3) dichotomy between the social-democrat partisanship of the President and of his main policymakers and the neo-liberal praxis inserted in the institutional reforms proposals; 4) grave fiscal crisis, which demands orthodox economic measures to wipe dry the state apparatus, credit restriction and public expenditure contention, leaving no room for concessions of ideological nature; 5) extinction of the economic model based on ideology and state interventionism; 6) external pressure caused by the dissemination of the economic model based on the market economy, on an international level.

The economic crisis of the Brazilian State is visibly obvious in what pertains the need for a fiscal adjustment aimed at reducing the public deficit to bearable levels, which allow the government to recover its investment capacity and efficient management of public accounts. This will not be possible without structural reforms that mainly alter the fiscal, administrative and social security realities. The head of government, the state governors and the principal leaderships in Congress have not ideologically acted on those questions, but reacted to a situation of grave fiscal crisis installed in their political domain.

The political and economic goals of structural adjustment will not be achieved because of politically ideological movements, but because of those based on pragmatic actions intended to recover State's financial and economic management capacity.

Notwithstanding the focal point of this article being the national government, these same reform attitudes are necessary on both state and municipal levels, since both levels suffer the same situation of maladjustment in their public finances. Some are in a state of insolvency, as in the case of Alagoas and Espírito Santo. State governors of several parties, including the Worker's Party (PT), have pragmatically expressed their support for the federal government's administrative reform, apart from their affiliation or political origins, in a clear demonstration from another important group of political actors, that pragmatism is talking louder in the question of institutional changes. The dissonant and most strident voice in this process has been that of the governor of Minas Gerais, who insists on ideological positions in a fake defense of the balance of Minas' public accounts.

The 1989 presidential election in Brazil, polarized between candidates Fernando Collor de Melo and Luiz Inácio “Lula”da Silva was a trailer of what would be the struggle for the implementation of institutional changes in Brazil. Won the election by Collor, Brazil began a stage of neo-liberal inspired economic reforms. Not that the head of government was a neo-liberal and even less that liberal ideology had suddenly taken the hearts and minds of Brazilians. But because of a real wish for change in several aspects of the national life, mainly in the economic field. In this line of thought, Senator Esperidião Amim (PPB/SC) noticed: “What we saw in Brazil was not a victory of liberalism, but the total lack of hope in the state model dominant until then”.⁴

Not only is contemporary Brazil under the aegis of a coalition government, where all considerations of a pragmatic nature clearly overcome ideological aspects. The political coalition – of social - democrats and liberals - that governs Brazil is strongly polarized around a presupposition of pragmatic reality. That is, the exhaustion of the Brazilian State to pursue its historic task of financing the process of economic development, allowing it to respond to society’s new expectations and returning to its classical functions which can not be delegated.

The process of political openness in Canada was conceived through the introduction of new ordinary legislation in Parliament and ignored the debate on the possible need of a constitutional change, as well as an economic policy one. Brazil had to go through a long process of constitutional changes to make it effective a reform of the State that would dismantle the “State-businessman”, holder of several and important economic monopolies, as oil, telecommunications and energy. Or, as Roberto Campos said, “it is necessary to dismantle the three state dinosaurs: the “petrosaur”, the “electrosaur” and the “telesaur”.

4.A) The 1988 Constitution and the reforms in the economic order chapter

Constitutions affect economies’ performance. The 1988 Constitution, for instance, favored State capitals, over market economy.

On January 1st, 1995, Fernando Henrique Cardoso was installed as President of the Federative Republic of Brazil. He promised to continue the fight against inflation with the Real Plan – which had been his main political objective – and, moreover, he promised to reform the Brazilian State so as to restore the Government’s ability to effectively govern the country. The Legislative branch was then asked to re-write the Constitution and all the country’s laws pertained to a great number of subjects, such as: taxes, foreign investments, energy, telecommunications, mining, social security, labour relations and public services.

We will examine six paradigmatic points of the proposed changes in the constitutional text. Their approval, in the first six months of Fernando Henrique’s government, would promote an effective economic liberalization and State reform in Brazil. They are: telecommunications and oil State monopolies abolition; definition of national company; participation of foreign companies in the mineral sector, coastal navigation and in the monopoly of commercialization of piped gas.

⁴ Interview to the author.

a) The state monopoly in telecommunications (Art. 21, XI)

The first of these points was the one that established the state monopoly in telecommunications as defined in Article 21, XI, of the Constitution..

As a consequence, among the economic sectors in which the federal government was allowed to act as a monopoly was the complete system of telecommunications. Given the constitutional text in force, the maximum the government could do to liberalize the sector was to allow its exploitation by firms whose stock control was held among state companies. The Constitution legitimized the practices already existent in the sector. Since its creation, during the military regime, the state holding for the sector, TELEBRAS and EMBRATEL, the federal government and some states, such as Rio Grande do Sul, began to operate telephone companies, taking apart the private sector, with very few exceptions.⁵

Now, this policy was put in a plaster in the very Constitution.

Since 1988, the constitutional text about the Economic Order made it known that Brazil would not open its telecommunications market to the private sector, since such a move would require a change in the very Constitution of the country. Even if a government came to power with a privatization agenda, changes in the Constitution would be needed in order to execute such a program.

The effect of this conditioning aspect over national and foreign investors did not take long. State monopoly was seen as permanent and inviolable to any discussion, at a moment when the fall in state investments provoked a consequent fall in the quality of services rendered and a technological backlog which even the huge institutional propaganda by state companies acting in the sector could not hide.

b) Oil state monopoly (Art. 177)

One of the most sensitive issues of the reform was the one that determined the definition, on a constitutional level, of the oil state monopoly exerted by PETROBRAS.

From 1953, the year of the approval of the law that created the company and the monopoly, until the promulgation of the 1988 Constitution, the monopoly was defined by law: after a true upgrade in 1988, however, it became a constitutional matter, which obviously made any change even harder.

Several countries in Latin America, which traditionally worried about the role of foreign investment, like Mexico and Argentina had, in the eighties and nineties, put themselves ahead of a world movement to attract not only capital but also state of the art technology to reform their economies. Argentina, under Carlos Menem, privatized its state company which had the monopoly over the exploitation and refinement of oil, the

⁵ - There are some telephone companies where TELEBRAS participation is in a minority basis, the main one being Companhia Telefônica Central do Brasil (CTBC) which acts in the Minas Triangle.

“Yacimientos Petrolíferos “Fiscales”, or YPF. At the same time in Brazil, the Brazilian constitution had converted the monopoly into a constitutional commanding.

This monopoly was expanded to include “risks and results of these activities”, and prohibited the Union to grant any sort of participation (in coined money or in value) in the exploitation of oil or natural gas, except what was defined in Art. 20 paragraph 1. It dealt with the royalties that PETROBRAS should pay the oil producing states and municipalities for the oil found in their territories. The State monopoly could only accept state partners.

c) The definition of national company (Art. 171)

The definition of national company given by article 171 of the Constitution was another extremely important issue as a symbol. According to an observer, the “constitutional treatment of the foreign investment was highly controversial and could even delay the economic growth of the country.”⁶ In effect, one of the consequences of the new Constitution was to function opposite to the efforts of several governments since 1988 to attract foreign capital. Although certain aspects of our economy, like interest rates much higher than world levels, had positively contributed for the entrance of foreign capital, it was agreed that such resources went to the financial market, not to productive investment.

It is included in the Constitution a set of specific rules about foreign investment in the country, an extendedly debated subject during the constitutional Assembly. The difference of treatment between foreign capital companies and national capital companies was until then limited to a few sectors of the economy, especially areas considered strategic, the main one being computer science.⁷ In reality, the juridical concept used by the constitutional Assembly was imported almost literally from the Computer Science Law, as it was called, a remainder of the military regime.

d) Participation of foreign companies in mining (Art. 176, paragraph 1)

The constitutional prohibition that foreign companies invested in mining in the Brazilian soil was as important. According to the Constitution, all mineral resources are defined as belonging to the Union and their exploitation should only be made by national capital companies, or by Brazilian nationals.

As a result of the approval of this disposition, for whose defense geologist and mining engineers actively participated, there was a huge flight of capital from the Brazilian mining sector. Mining production was strongly affected by this decision restricting private investment in the mineral sector. In a moment when all Latin American economies were through a process of openness, to attract risk capital, the new

⁶ - Keith S. Rosenin, op. Cit. P.27.

⁷ - Abdo I. Baaklini and Antonio Carlos Pojo do Rego. “The Congress and the National Policy on Computer Science. **Revista de Administração Pública**, vol. 22, n.2, abril/junho de 1988.

constitution became a strong factor for Brazil to be passed by as a focus of attraction of such investments.

e) Coastal navigation

The coastal navigation sector change followed suit. An amendment to the Constitution was approved, determining that coastal navigation could be done by ships of other nationalities, international treaties being observed and the principle of reciprocity respected. The requirement that all crew aboard Brazilian ships be Brazilian was also removed from the constitutional text. Complementary legislation started to determine the conditions that allowed foreign ships to navigate in Brazilian territorial waters.

f) state monopoly on piped gas.

The last of the six changes was the one that ended the monopoly held by the states for the commercialization of piped gas, which left this sector completely under the control of the governments of the 27 federation states.

With the constitutional change, private companies were authorized to operate this sector. As a result, several states are altering their participation by selling their own companies.

The changes made by Congress in the Brazilian Constitution, through amendments by the Executive, followed the same trend other developing countries introduced in their legislation. Those changes decreased the restrictions to foreign investment, as well as the existence of state monopolies in their respective economies. Accordingly with the post-globalization world trend.

If one examines the constitutional reform process happened in Brazil in the nineties, one notices that once more it is – as has been said so many times – a question of who wins what, when and how much, the very essence of political science. The frustrated process of constitutional revision due to end in 1993 can be curiously considered a “well succeed failure”. It allowed the then candidate Fernando Henrique Cardoso to adopt the still pending reforms– as one of the main issues of the campaign that took him to the Presidency of the Republic.

4.b) In Canada, reforms through policy change

The Canadian experience with free trade dates from the sixties, when the *Automotive Pact and the Defense Sharing Agreement* were both signed with the United States. Nevertheless, successive governments tried to avoid an extension of these agreements, afraid that they could bring cultural domination and loss of sovereignty. Until the unavoidable new economic reality imposed by the globalization process forced these ideological fears to be minimized in the name of a new pragmatism.

Historical background rooted in the XIX century had already inhibited this process of continental integration. Political problems in Ottawa, in Mexico City and in Washington, D.C. were responsible: the Great Depression; the two world wars and the advent Asian bloc -, notwithstanding the existence of an environment of intense industrialization and available foreign investment which pressed the economy towards commercial liberalization.

The 1988 elections were a decisive political mark for the structural changes that occurred in the Canadian economy. The macroeconomic conditions were unfavorable, external pressure for liberalization very present and political environment volatile, due to the electoral season. A debate favorable to the institutional changes was installed in such institutional environment.

Elections were fought mainly under the sign of issues related to trade. Indeed, object of a constant and ancient fear – due to the permanent apprehension from parts of the society – that Canada could be transformed into some modern commercial colony of the United States.

In 1990, with the signature of FTA, the two nations incorporated for good in their bilateral subjects the issues related to free trade. The later happening of NAFTA, in 1994, which included Mexico, was another decisive step towards the integration between the giants and territorial neighbors.

In any case, reforms did not constitute a constitutional subject, but a matter of change of economic policy. Tough it also meant changes in the role of the State, because of the extinction of subsidies to some companies and the implementation of reforms in the public sector, closing down agencies dependent on state favors.

The issue of liberalization of the economy is consistent with the conservative and liberal ideologies. In the specific cases of the structural changes in Brazil and Canada, it seems to turn itself more into a pragmatic one, mostly because of its dense contents of entrepreneurial interests which guide most of the time the most immediate interests.

Conclusion

The territorial, landscape, ethnic, cultural and economic apparent similarity produced mainly by the common European fundamental origins and values, increased by the intense commercial relationship between the United States and Canada, indeed conceal significant institutional differences between the two countries, equally in the economic, cultural and social fields.

The State role of promoter of development and of strengthening its own state companies, as well as those which are not, practiced in Canada, is different from the United States emphasis to the free market economy and the major role attributed to the international capital as promoter of development. They certain form a basis for some, equally deep, differences between the two countries.

Opinion polls sustain that Canadians – people and elite- accept and support state intervention more than Americans do.

Some Canadian academics have remarked, according to Herschel Hardin, that “Canada – essentially – is a country where state enterprise culture is predominant, while in the United State the culture of free enterprise prevails”.

Even more, in Canada, notices the political scientist J. t. McLeod, “the permissiveness of State intervention, the regulation and constant presence of public companies, are characteristic of a country where the State always controlled and gave form to the national economy.

Equally in Brazil, statism and state culture still prevail. Economic liberalism always lost to development economic policies sustained on the model attached to state intervention in the economic sphere. In fact, the history of economic development in Brazil is not the history of liberalism but the one of state capitalism and economic nationalism, coherent to a certain point with our Iberian colonial heritages.

Since 1988 in Canada and a year later in Brazil, deep structural changes took place. Both minimized their ideologies and their pro-state past to change their economic models in an unprecedented way. Brazil, via Constitution, extinguished state monopolies, promoted institutional reforms in the social security, administrative and fiscal models.

Canada, by the more simple way of change of direction of its economic policy, promoted a strong fiscal adjustment, signed the FTA and joined NAFTA, implemented reforms in the public sector and consolidated the openness of the economy.

Both were pressed by similar domestic and external facts.

The fiscal crisis on the national level, and the unavoidable economic reality imposed by the globalization process forced ideological sophistication to be minimized in the name of pragmatism.

The sum of these internal and external pressures made both countries to freeze their pro-state ideological pasts and enter a new Era of neo-liberal economic policies, although keeping their engagements with the presence of the state in the social sphere. Their leaders, more in Brazil than in Canada, feel uncomfortable with neo-liberalism, and prefer to politically offer the new concept of the “third way” of the sociologist Anthony Giddens and Prime Minister Tony Blair.

For better or worse, ideology has lost space to pragmatism as a motivator factor of structural reforms and of the change in the role of the state in promoting economic development in Brazil and in Canada.

Undeniably, evidence in several countries of different continents, although with variations among them, show that globalization brought along two main values: the supremacy of democracy as political regime and capitalism as economic system. Ideologically, it may not even be the best and definite for all, but, pragmatically, that is what is prevailing in countries so different as Bolivia and New Zealand, Nicaragua, Poland, Argentine and Hungary, just to name some non-giants. Pragmatism generated by the globalization process may not be the only force to push the reforms, since there has also been imperative economic and political reasons of national stamp.

To this moment, it is difficult to suppose an ideological “anchor” that can sustain so many changes in the economic field to the benefit of liberalism, in so different societies, with no less different or even opposite histories. What shows up as the best variable to explain these institutional changes in the role of the State in relation to economic

development and the adoption of a group of decisions and public policies “anchored” in pragmatism.

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