

Manfred Nitsch

Democracy, religion and economics in Latin America

Interview by Paulo Bracarense with Manfred Nitsch, in: POLITIKA, Revista bilingue; Fundação João Mangabeira, São Paulo; Vol. 2, 2015, pp. 120-127¹

Since 1977, Manfred Nitsch has been a professor of Economics at the Free University of Berlin and its Institute for Latin American Studies (emeritus since 2005). His studies have included economics, business administration, education and languages from Goettingen, Geneva (Switzerland), Middlebury Vt. (USA) and Munich. His research areas include development banking and microfinance, pension reform, monetary Keynesianism, biofuels, Amazonian studies and international economics. His Brazilian doctoral alumni include various university professors, such as Francisco de Assis Costa and Indio Campos at UFPA; Carlos Alberto dos Santos, former Technical Director of SEBRAE; and Helmut Schwarzer, Secretary at the Ministry of Social Welfare under Lula, then at OIT in Geneva, and afterwards Secretary at the Ministry of Social Development and Fight against Hunger. This interview was conducted by Paulo Bracarense, a professor at UFPR, former Secretary of Labour of Curitiba, former Director of the Ministry of Science, Technology and Innovation and member of the Editorial Board of Politika. Nitsch was his mentor in the Master of Public Policy in the joint program of the Humboldt University of Berlin and the European University Viadrina Frankfurt (Oder).

PolitiKa | First, we would like to thank you for contributing to PolitiKa magazine, which has dedicated this issue to the 30th anniversary of the return of democracy to Brazil. We would like your opinion of the history of the Brazilian development process, a process that you were personally and intellectually engaged with. You were born in 1940 in the beautiful region of the Harz Mountains and graduated there in Lower Saxony after the conflicts of World War II. This period was followed by the very first years of democratic life in Germany after the end of the war in 1945. Your region had belonged to British Zone of the Allied occupation of Germany until 1949, when it became a definite part of West Germany. Do you think it is possible, despite the historic differences, to construct a parallel between the feelings of a young German in the very first years of the

¹ With minor corrections of the published English text by Manfred Nitsch.

democratization process and the young Brazilian in the following years during the end of the military regime in Brazil, let's say during a period of ten years until adulthood?

Manfred Nitsch | Fortunately, compared with the Nazi regime in Germany, the military regime in Brazil was much milder. The country Hitler left behind was the result of the war and the Holocaust, with millions of dead, refugees and ruined cities. My small town, Bad Harzburg, a resort with hotels which had been converted into hospitals during the war with red crosses over the roofs. Its streets were populated by thousands of soldiers and civilians without legs or arms, and all the houses were occupied by poor, homeless refugees from the eastern provinces of Germany, which were annexed by Russia and Poland. Other cities in the central part of Germany were occupied by the Soviet Union and then formed the German Democratic Republic. It is impossible to compare the two situations.

But in seeking any parallels, I do see something regarding human rights. Both the military and the moral defeat of the murderous racism of the Nazis were exclusive in Germany. That made me sensitive to all forms of discrimination. But this defeat was also the basis for the Declaration of Human Rights at the United Nations in 1948. The universalization of these standards certainly contributed to the fight against authoritarianism in all parts of the world, and in that sense, it also served to advance the democratization of Brazil after the military regime. The conversion of the submissive and humble, but also of the colonels, the powerful and the aristocrats into citizens according to the Constitution of 1988, sometimes referred to as a "citizens' constitution," remotely resembles my experience as a "re-educated" youth in the British Zone. Educators and teachers were all openly anti-Nazi, even though their biographies often presented critical points on which they did not want to discuss. It may be that we have yet another parallel with Brazil and other countries with authoritarian regimes: people who were not explicitly victims prefer to stay silent, because in one way or another, they had collaborated with the former regime and benefited from it.

PolitiKa | **Your Fulbright scholarship program at Middlebury College in Vermont between 1962 and 1963 was certainly a very enriching experience for a young university student, just over twenty years old. Despite the difficulty of a German student in understanding the rigid and "ridiculous" rules of the time, according to your recent letter to Dr. Laurie L. Patton, who shall assume the presidency of Middlebury College as of July 2015. It was during a time that was full of conflict in the world: In April 1961, there was the attempted invasion of the Bay of Pigs in Cuba, and in August of that same**

year the Berlin Wall was erected. In 1962, living in Middlebury, you followed the missile crisis with Cuba and the Soviet Union. At that time, the United States was still getting over McCarthyism and, as a result of the Cold War, the country was preparing military coups in Latin America that would have as its hallmark Brazil in 1964. How did this American experience influence your choice for Latin American studies? At what point was there an understanding the role of the United States in the military coups throughout the region and later in the policy for South American, in particular for developing the economies of the South American countries?

Manfred Nitsch | I studied in Vermont in New England in the United States, where John F. Kennedy, from Boston was a hero. His “New Frontier” and its “Alliance for Progress”, his “Peace Corps” and his defense of democratic freedom in Berlin - “Ich bin ein Berliner!” [I am a Berliner!] were the most important impressions at the time. It was first the Vietnam War that changed the image of the United States, in my eyes as part of the “Generation of 68” in which I include myself in general. But in Middlebury at the time of the Cuban Missile Crisis, I felt a certain shock when friends and my fraternity brothers were enthusiastic about a war against the “fucking communists”, without the slightest idea of what “war” would mean. It was the Middlebury economics courses and the subsequent stay in Colombia, with a brief spell in the Brazilian Amazon in the fall of 1963, just a few months before the coup in March, 1964, that led me to Latin American studies. I was studying in Geneva in 1960-1961 – at the time there was a great wave of decolonization, with many armed conflicts in colonial empires, but there was also the declaration of the First United Nations Development Decade – when I decided that I wanted to dedicate myself to the theme of “development” both in my studies and in my professional career. It seems to me that the 1964 coup in Brazil was primarily a consequence of what is presented internationally as the “chaos” of the Goulart administration, or, rather, of the social conflicts and domestic politics. Indeed, the interests and activities of the United States were on the side of the military and the groups that supported the coup, but I have my doubts as to how decisive it was to the success of the coup.

PolitiKa | After starting your university studies in economics, pedagogy and languages in 1959, having passed through Spain and Switzerland, you returned back to Germany in 1961 to study at the University of Munich, where you remained until 1968 – except for a year in the Americas in 1962-1963. In 1961-1962, you accompanied the preparations and the opening of the Second Vatican Council (1962-1965) of Pope John XXIII. At that

time, you also began at the University of Munich with the then-liberal Joseph Ratzinger as professor of theology (1963-1966), who would become the conservative Pope Benedict XVI. Ratzinger had as a protégé the friar and Brazilian theologian Leonardo Boff, who was one of the great expressions of liberation theology in Latin America. Do you agree with the statement of Professor Gerd-Rainer Horn of the Institute of Political Studies in Paris that the seeds of liberation theology would have just been produced at the end of the 1960s in Europe, together with important contributions from Jon Sobrino of Spain and Joseph Comblin of Belgium? What is the influence of the Catholic Church in the course of the democratization process in Brazil, recalling its role in building the Workers' Party in the late 1970s?

Manfred Nitsch | Baptized a Lutheran Protestant in northern Germany, although without much piety in the family, and as I mentioned, “re-educated” by antifascists under the tutelage of the British, I found myself in Munich, the capital of Bavaria in southern Catholic Germany, as if I were in another country, when considering the customs of the popular and official religion. Processions and other manifestations of the old social doctrine of the Church seemed to me closer to fascism – much as I had just experienced in the Spain of Francisco Franco during a two-month internship at a factory near Barcelona in 1961. Then in Middlebury I had encountered some reservations against Kennedy for being Catholic, as well as for suspected “ultramontanist” affiliations, that is pro-Vatican and even fascist.

So aware and curious, I closely followed the discussions and debates on the Second Vatican Council, and for me the famous “Aggiornamento” initiated by Pope John XXIII resulted in the peace between the Catholic Church and liberal democracy (abandoning of the *Stato Corporativo* of Mussolini and Franco as an ideal), which included religious freedom (abandoning the union between the state and the Catholic Church and a partial recognition of other religions and other Christian churches), the market economy (abandoning corporatism) and universal human rights (partially abandoning of insistence on divine natural rights over human rights).

However, this view was quite Eurocentric or North Atlantic, because in Latin America the old social doctrine, which was obviously obsolete, was put “on the agenda” with an *aggiornamento sui generis*, meaning, liberation theology. I do not know well the mentioned authors, but throughout my career I have been confronted with both lines of Latin American Catholicism: the right kind of Opus Dei, which defends the privileges of the rich and powerful; and preaches fatalism to the poor, fatalism that everything is as it is because “it was

God's will". On the other hand, the representatives and advocates of liberation theology who have tended to speak of "fight" and "us" against "them" using a Marxist vocabulary, often praising the Cuban model.

They were therefore persecuted as "communists" in their respective countries and theologically ostracized by the Vatican. However, grassroots organizations and defenders of indigenous people, land reform, women's advocacy and children, other initiatives of local and regional clergy, as well as the general spirit against authoritarianism and in favour of human rights and civic, led to an almost natural alliance between secular international unionism, whose exponent was Lula and the Brazilian social movements, many of which operated under the church's umbrella without necessarily being Catholics. Betinho, with his program, stands out as an important figure to unite the progressive forces under the banner of "citizenship", which today manifests itself in slogans with words such as "for all", "nobody" or "universal". Society as a whole must fight hunger, poverty and racism, and for the well-being and human dignity. For some, the left has thus made peace with capitalism, abandoning the "fight" that would be required, while others insist that this fight must and can be done within the essentially liberal framework of the Constitution of 1988.

PolitiKa | You open the chapter "Tropical Capitalism versus citizenship" from the book "O Brasil não é mais aquele: mudanças sociais após a democratização (Brazil is no longer that one: social change after democratization)," organized by Maria Angela D'Incao in 2001, stating that around the period "close to governments Fernando Henrique Cardoso, the normative collective model of the lower classes, as well as the government's official discourse, went from a tropical authoritarian capitalism to a modern vision of citizenship and democracy with its multiple dimensions: economic, social and political". It had been fifteen years after the election of Tancredo Neves and Jose Sarney. Do you believe that the democratization process in Brazil had already been established? How were these economic, social and political advances seen from the standpoint of European observers, particularly the Germans?

Manfred Nitsch | Ultimately, with the presidencies of FHC and Lula (both of whom had high regards and international prestige even before assuming office), Brazil has been generally viewed as a country with a functioning democracy. The turmoil of 2013 and 2014 and the serious corruption scandals have been noticed and commented; however, compared to other Latin American nations and the world at large, Brazil is still well-regarded and respected. The

few posters calling for military intervention in recent demonstrations have been noted and interpreted as expressions of the freedom of opinion, but that call was not really taken seriously by commentators.

PolitiKa | In the same article, you point out that, despite these advances already achieved by the democratic process following the military dictatorship from 1964 until 1985, “the old elitism” was not dead. The *ancien régime* still survived subcutaneously on the right, in the form of patronage, vote rigging, cliques, favouritism[...] etc., which has so often been analysed, criticized and apparently banned, but in fact it was never fully addressed and overcome by the left and by enlightened liberals.” In 2003 the government of the Brazilian Social Democratic Party (PSDB) lost the elections to the Workers Party (PT). In your opinion, has the construction of democracy over this new 15-year period with the PT running the country overcome, to some extent, the main features of what you described as *ancien régime* of the right?

Manfred Nitsch | There are still certainly remnants of the ancient régime, but I have the impression that, in terms of human rights, Brazil has advanced further under PT leadership. Even the way in which corruption has been dealt with can be seen as the advancement of justice and citizenship, because the typical example of the old corporatism was, and still is, impunity.

PolitiKa | Going back a bit to the issue of religious social doctrine and your connection with the current process of democratization of Brazil. In your article published in 2013, “Deus é brasileiro? Reflexões atuais sobre 50 anos de encontros com o Brasil – e com diversas doutrinas sociais religiosas (Is God Brazilian? Current reflections on 50 years of encounters with Brazil – and with various religious social doctrines),” you mention that, because of profound popular religiosity, a gap in the Catholic religious superstructure has opened up the way for a kind of charismatic Marianism and for other religions, such as established Protestant Christian churches, Pentecostal and Evangelical, among others. A remarkable fact in current Brazilian politics is the strong growth of the evangelical churches, in particular those of Pentecostal nature. Its influence can be seen in the election results at all levels, in the agenda of state-building and behaviour of citizens. Topics such as abortion, sexual orientation and even in scientific development, stem cell studies are discussed under the light of a certain

“religiosity”. This phenomenon is not exclusive to Brazil in Latin American. In your opinion, is there any possibility of the region moving towards a policy of “reactionary fundamentalism”?

Manfred Nitsch | It is truly amazing for a German Lutheran – of a liberal environment that has always been more on the side of the secular “Enlightenment” than Catholics – that “Protestantism” and “Evangelical” can be words found next to a “reactionary fundamentalism”. My explanation is Pan-American: in the United States, the pilgrim fathers had already taken an evangelical fundamentalism and a destination to find a promised land and build a new world away from the intrigues and conflicts of old Europe. A little isolated and faithful to the words of the Bible, they became fundamentalists, but very different from Catholic fundamentalism, because they assimilated to an important feature of the doctrine of the Swiss reformer Calvin: the defense of the free market and enrichment – always held within rigid moral honesty.

Its entry into Latin America reflects the gaps in Catholicism already discussed: both the Right and Leftist Catholics have fundamental problems with liberalism. Even Pope Francis writes “this economy kills” in his recent Apostolic Letter, and he does not speak of excesses, but of the global dominance of liberal economy. In contrast, evangelicals often preach a popular Calvinism, if not sometimes vulgar, because whoever pays the church more, most certainly reaches paradise, promising divine blessing for economic and social progress. Denounced as “prosperity theology”, this kind of religion corresponds perfectly to the wishes of the people and everyday life at the mall, at school and in companies and public administrations. However, in the political and social movements, they are generally more conservative than Catholics, going against the principles of citizen equality, women’s rights, religious freedom and the fight against discrimination of homosexuals and other minorities. Another gap left by the Catholic Church can be seen in the difficulty of the clergy with traditional popular religiosity. The two wings of Catholicism have problems with the *aggiornamento* of cult worship of saints, of ceremonies, the church and family festivities and the discourse to create a community of believers, if people’s beliefs diverge too much.

Instead, Evangelicals and Pentecostals, as “newbies” without divergent traditions in their localities and communities, can offer both a modern view of economics and liberal policy to a more homogeneous community of believers with strong common beliefs. Finally, it emphasizes that the biggest trend in the current regulations of Brazil is probably secularism. In my article *Is God Brazilian?*, I defend the thesis that Brazil is the most advanced country in

the process of assuming and accepting within the collective superego (almost “God”), human rights and other universal standards of the United Nations. Within this context I would like to add that my answer to your first question about the end of the Hitler dictatorship and the reconstruction of democracy with a reflection on religion. Since the very beginning, the politically and economically liberal order of the Federal Republic of Germany, the “Social Market Economy” of West Germany, was blessed by both churches with much, much emphasis. Both the Catholic Church, with its bias for fascism, and the Protestant churches, where there was even a strong wing in favour of openly supporting Hitler as a saviour, there was a deep sense of shame, because the traditional Christian anti-Judaism of both churches had obviously been an important seed for the barbaric and murderous anti-semitism of the Nazis.

On the side of constitutional politics, the Christian Democratic Union (CDU - Christlich-Demokratische Union) of Konrad Adenauer then took the hegemony for most of the political life of Germany, from the post-war to today with Angela Merkel. Also the “Social Market Economy” – on the national level as the fundamentally liberal order and on the level of the “Western World” and globally – received the explicit or implicit blessing not only by the Protestants constantly alongside Calvinism, but also by the Catholic Church. So I’m always extremely irritated when the liberal order in Latin American, both politically and constitutionally as well as socioeconomically, is often fundamentally attacked by the Catholic authorities, whether it be as defenders of the privileged according to the old Church’s social doctrine, or as defenders of “the poor”. The complaint that this order that is formally established and lived daily is “inhuman” or would be an order “that kills”, leaves the police, judicial, political and administrative authorities who defend this order morally defenseless, and therefore open to corruption and violence. It seems to me that the Latin American Catholicism could use a dose of Calvinism to compete with the evangelicals, but also to support, legitimize and even bless the yearning of the lower classes to get out of poverty and not be “poor”, the object of charity and special attention, the sheep following “pastors”.

PolitiKa | In your recent article for the SEBRAE, “Garantias de crédito para micro e pequenas empresas – Experiências com sistemas entre autoajuda, fomento público e parcerias público-privadas (Credit guarantees for small and micro companies - Experiences with systems of self-help, public promotion and public-private partnerships),” you establish what is called the “basic triangle between lender, borrower and guarantor”. The basic idea is that there has always been credit and obligations, or

debt between people, in human societies, and that there may have always existed a third element that gave collateral or guarantees, so that the lender or financier would be protected from the risk of losing money in the event the debtor could not or did not want to pay. In May 2015, Brazil hosted Muhammad Yunus, Nobel Peace Prize Laureate of 2006 for his fight against poverty in Bangladesh through micro-credit for the poor by creating the Grameen Bank, for several rounds of conferences, particularly in universities. He said that the bank lends nearly \$ 5 billion a year and currently has about 8 million customers, of which 97% are women. Do you believe that Yunus's proposal may serve as an instrument for democratic consolidation in Brazil, where there is one of the worst income distributions in the world, according to the Gini index, or do you think it would only serve to strengthen the policies for mitigating poverty?

Manfred Nitsch | Yunus is an amazing person and a great advocate of microfinance; the Nobel Peace Prize (not the Prize for Economics!) for him and his Grameen Bank is well justified. In the modern world, access to the formal financial system is not yet, but should be "normal" for all people of the world, but traditionally there are high mental, cultural and cost barriers inhibiting the use of financial services. With all the electronic digitalization in recent decades, the costs of this type of business has fallen so dramatically that it seems to me that much of the "noise" around microfinance is due to technological progress. The concept of the Grameen Bank of Yunus was innovative in three respects: first, mutual trust between the poor people as honest customers and the bank as savings administrator and as a reliable service provider when credit is needed; second, women as individual clients and as members of groups outside of their family background, while aligned with the family and the community – a very difficult question in the Islamic environment and beyond; third, credit as a business and not as charity or usury, meaning credit with reliable conditions that cover costs and include a certain return on invested capital.

So to a large extent, formal microcredit has not been a source of additional capital, but has replaced the informal moneylender, more a less a loan shark, to finance consumption or investment; therefore, its role in starting new businesses or additional investments should not be exaggerated. If any "poverty alleviation" can be achieved at all, it will be an important advance. Whether too high or low, the cost of credit always occupies a very modest place in the cost-benefit analysis of people, regardless of social class. Access is important; but compared to introducing infrastructure, local roads, electricity or water, access to the financial system is not a panacea to overcome poverty, but it is just one dimension among others.

Yunus is also a genius of public relations, and when his basic concept lost originality, because the commercial approach to microfinance became the dominant opinion, he began to propagate “social business”, a kind of a company or association similar to OSIPs in Brazil: profitability as a company, but without maximizing returns, and altruism as an NGO, but without donations. I think there is a niche for this, but to alleviate poverty or to overcome the poor distribution of national or global income, it does not have the mass appeal it would need for macro-economic impacts. I find SEBRAE’s focus more convincing, that is, the need for meaningful, honest, law-abiding and environmentally responsible entrepreneurs who are fair to their employees and partners. Document simplification, access to basic banking services and technical support for innovations are typical instruments of this approach. Altruism and social engagement are always welcome, but for the majority of companies and people it is enough to comply with prevailing ethical standards, giving space to make money and develop the company, and thereby helping the underprivileged out of poverty and to become political and economic citizens.

PolitiKa | On your agenda for Brazil there is a clear concern with the issue of sustainability and its three pillars of economic, social and environmental development. Your articles on the Amazon, your contribution in SEBRAE’s participation in Rio + 20, and the discussions on the energy matrix – particularly the Brazilian policy regarding ethanol production – reveal what might be called a concern for the “ecological question”. In a recent publication, with an English translation entitled “The Good Society without Growth”, Professor Reinhard Loske, former deputy of the German Green Party, questions the need for companies to have economic growth as a paradigm. He goes on to question “Why green growth is not enough?” claiming that even sustainable growth will not be enough when there is a world population of 9 billion people by 2050. How do you see the development of a democratic society in Brazil, where a change in the production and consumption patterns seems necessary, without jeopardizing the most disadvantaged in a proposal similar to that of Loske?

Manfred Nitsch | The Gross Domestic Product (GDP) is the sum of the net monetary value of all purchases and sales, consumption, investment, exports and imports, and tax payments and contributions to the state within a certain area. With the advancement of technology, the range and price of products change constantly; and in recent decades, or even in recent centuries, there has been a vast increase in the productivity of human labour and therefore in per capita

income worldwide. This growth was undoubtedly based on the exploitation of natural resources and the pollution of the atmosphere and oceans. Since the creativity of *homo sapiens* is not going away, and neither is money, we will also have in the future something like GDP per capita; however, the way this sum will increase or decrease, either nominally or in real terms, will depend, among other things, on the way environmental services will be monetized. There may finally come the time when there is a call to include ecologically friendly prices on monetary markets, which means higher prices for goods and services that are currently undervalued. This would lead us to “beautifully” green growth. Reinhard Loske covers dirty growth very well, of the “business as usual” type, and certainly we should all live with less pollution and waste – which means with less GDP. The allegation that the poor would be “jeopardised” by the introduction of economic instruments for greening seems to me yet another discourse of the privileged who do not want to jeopardize their private swimming pool and car.

A critical look at the production processes and consumption patterns must always occur, from both an ecological point of view as well as a social one. Our first studies on ethanol as fuel already date back to the 1980s, and still today it is the rule that edible calories are always the noblest and monetarily more expensive than energy in the form of fuel. Except for short extraordinary fluctuations in international oil and sugar prices, it has always been more economical to export sugar and import oil or gasoline than to use edible cane juice for ethanol as fuel. The subsidy for the sugar and alcohol industry and for the owners of individual cars has been and is still paid by consumers and Brazilian taxpayers.

In the Amazon, I participated in the G7 Pilot Program for the Conservation of Tropical Forests in Brazil (PPG7) as a member of the International Advisory Group (IAG). It was almost impossible to overcome the doctrine – just as colonial today as it was in the past – that there is a “frontier” beyond which there is “enormous wealth” to be conquered by pioneers through deforestation and colonization. The Constitution of 1988 defines the rainforest as “national heritage”, yet it does not prohibit the destruction or conversion of their land to pasture or plantation. With recent droughts and other climate vagaries, there is now a little more knowledge spread about the value of the environmental services rendered by the Amazon and Atlantic forests, as well as the very high risks for all of South America and beyond, if the deforestation does not stop – although the exhaustive culture continues. The international efforts to monetize and pay for this service, such as REDD (Reduction of Emissions from Deforestation and Degradation of Forests) and carbon-trading markets is slow and complicated. I am quite pessimistic about the preservation without a courageous turn in

the environmental and agricultural-forestry policy of the federal government and also of state and local governments in the Amazon region. Environmental NGOs and indigenous people do a good job, but the slogan of the campaigns against the “Internationalization of the Amazon” makes it difficult to give international support and also makes it difficult to clarify the truly international and global aspects of climate functions that the Brazilian rainforests have for the planet.

PolitiKa | Finally, three easy questions to pose: Is there such a thing as “good capitalism” and “bad capitalism”? Is money an evil phenomenon? Is God really Brazilian?

Manfred Nitsch | (1) Yes, there is a good capitalism. There are excesses and repairable shortcomings of the market economy (“bad capitalism”) that inhibit a better result. Economic “paradise” does not exist.

(2) Money is something symbolic that becomes diabolic when it is not well regulated and well monitored. Demonizing the monetary economy as such means allowing corruption and violence against the representatives of liberal orders.

(3) Of course he is!²

² Not in the printed text: “Of course, she/he is!”