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AUG 14 1963

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RE
DK

FROM : AmEmbassy, RIO DE JANEIRO

DATE: August 9, 1963

SUBJECT : Dissident Views Regarding Carvalho Pinto's Reputation as Financial Expert

REF :

Notwithstanding his wide and generally accepted reputation as an outstanding financial expert, this estimation of Carvalho Pinto is not shared by various technicians who have been active in national financial affairs for several years. These dissidents include Dr. Octavio Bulhoes, Director of Research at the Getulio Vargas Foundation and former Executive Director of SUMOC, and Denio Nogueira, Economic Advisor of the National Economic Council with whom the reporting officer recently had occasion to discuss these matters. The former considers Pinto as more of an administrator, probably effective on the local or state level, but lacking both in forcefulness and understanding of the total economic complex to be very effective on the national level. Nogueira, for his part, described Pinto as being a "Conselheiro Acacio", an expression describing a person who makes pronouncements on things already of general knowledge but in a serious tone/as to create the impression that he is revealing something new and wonderful. Neither of these individuals believed that Pinto would be either an aggressive or successful Finance Minister.

A source closer to home, Ernani Galveas, who has served as special assistant to the Finance Minister since the Quadros days,

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GROUP 3

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In Out

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Clearances: *JSP* FINATT - RVKorp

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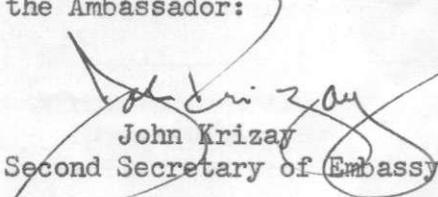
confirmed these general views in a recent conversation with the reporting officer over lunch. Galveas was vacationing in Europe when the change in Ministers took place. The change somewhat disappointed him, primarily on the basis of the "bird-in-the-hand theory". He had been getting on well with Dantas and his team. However, he also had accepted the Pinto reputation and felt that the Finance Ministry would be run in much the same manner as under Dantas. In the month since his return, however, he has come to the conclusion that the great Pinto reputation is a myth.

Galvêas describes his new chief as a "Contador de luxo"; i.e. a high-powered Comptroller General. He says that Pinto looks on Finance Ministry operations strictly in terms of receipts and expenditures. Acknowledging that, in general, the objectives of balanced budgets and balanced payments are worthy ones, he points out, however, that the Finance Minister has little appreciation of the relationship of exchange policy to internal financial factors, of the inter-relationships of expenditures and receipts or the role of monetary policy. In short, according to Galvêas, his view is roughly that of a State Secretary of Finances who operates in circumstances where most factors affecting his financial activities are more or less given.

As an illustration of the fact that neither Pinto nor his Paulista advisors have penetrated very deeply into the study of the nation's basic financial problems, Galvêas cited the flurry of effort to prepare for a recent meeting the Minister was holding with Ambassador Gordon. (See Embtel 290, August 8) About a half hour before the meeting, Galvêas said Helio Bicudo (Chief of Cabinet) showed him an agenda and asked him to prepare papers for the Minister to use in discussing two items: "General Exchange Rate Policy" and "Policy on Import Rates for Petroleum and Wheat". Galvêas was a bit puzzled by the assignment considering that policy in such matters had generally been decided at the very highest governmental levels. As he put it, "if the Finance Minister himself did not know what exchange policy, or policy on wheat and petroleum import rates was, how would he expect me to know." To carry out the assignment, Galvêas stated that he hastily prepared two brief, innocuous papers which probably accounts for the Minister's vague comments on these subjects as reported in Embtel 290.

Galvêas describes the cadre of assistants which Pinto has brought to the Ministry from São Paulo as hard-working and competent, but also completely lacking in economic background. Most, he said, were administrative types or organization specialists. Diogo Gaspar, who is actually on the President's staff but is close to the Finance Minister, is an exception. However, Galvêas, at least, does not have a high opinion of Gaspar's economic ability being particularly critical of what he considers to be Gaspar's "insensitivity" to the consequences of inflation.

For the Ambassador:


John Krizay
Second Secretary of Embassy

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