

power without eliminating rural poverty or resolving long-simmering agrarian conflicts. Instead, these conflicts have been incorporated into the mechanisms of the state and have become primarily a competition for federal resources partially obscured by radical rhetoric. These rhetorical battles also overshadow larger concerns about the conditions of rural labor and the defense of unique natural resources, concerns which have yet to inspire coherent policies.

Brazilian culture, in all its manifestations, has also become more pluralistic. Popular music, long a source of national pride and international glory, has blossomed in unpredictable ways. Music scenes in diverse regions have reconfigured genre boundaries and broken the dominance of the Rio-São Paulo axis over musical distribution. In the field of religion, a Pentecostal boom has spread like wildfire over what was once almost universally a Catholic country. Pentecostal denominations compete furiously with one another and across faiths, forcing the Catholic Church, among others, to formulate its own charismatic response. The rapid expansion of digital access has also yielded profound cultural consequences, shaking hierarchies and altering patterns of production. But strong state influence and the continuing prominence of nepotism and family connections give some measure of continuity to cultural production, structuring the unique Brazilian culture market.

Each of these transformations has offered both promise and peril. The chapters that follow explore their consequences in the construction of the fragile spider's web of Brazilian democracy.

I | The rise of the left

"They say politics is the art of swallowing toads. Wouldn't it be fascinating to make the elite swallow Lula, that bearded toad."² Such were the sentiments of Leonel Brizola upon running third in the opening round of the 1989 presidential elections, behind Luiz Inácio Lula da Silva and Fernando Collor de Mello. Brizola, an old-school populist and the sitting vice-president of the International Socialist Organization, instructed his loyal followers to support fellow leftist Lula in the run-off election.

Brizola's support made the 1989 election close, but was not enough to overcome the concerted opposition of Brazil's business class, its landed gentry and, most importantly, its media titans. The Globo media empire cast its decisive weight behind Collor de Mello, the inexperienced scion of an oligarchic family from the impoverished northeastern state of Alagoas. Collor de Mello had little to recommend him for the nation's highest office, but most figures of influence found his message of market expansion more palatable than Lula's campaign for aggressive socialist reform. Economist Roberto Campos, Brazil's high priest of free-market discipline, famously quipped that if Lula were to be elected, there were only two possible outcomes (*saiídas*), one via Galeão, the other via Cumbica – the international airports of Rio de Janeiro and São Paulo. Campos merely expressed the consensus among most Brazilians of means that a Lula victory would bring economic disaster, at least for them.

Lula kept at it, running again for president in 1994 and 1998, finally winning in 2002 and securing re-election in 2006. But between his narrow loss in 1989 and his decisive victory in 2002, a remarkable transition unfolded. When the bearded toad finally stenned into

candidacy and his first year in office. The left's hard-won triumph was apparently categorical and complete.

Three factors enabled this remarkable transition: the decline of the old elite, the increasing willingness of Lula's Partido dos Trabalhadores (PT), the Workers' Party, to work with big business, and the leftward shift of political discourse.

The old elite Brizola referred to in 1989 had largely disappeared by 2002. In 1989, Brazil still had prominent aristocratic figures like Carmen Mayrink Veiga, Jorge Guinle and Filomena Matarazzo Suplicy, privileged offspring of a hereditary oligarchy, born to power and not overly interested in the redistribution of wealth. By 2002, Carmen Mayrink Veiga and Jorge Guinle were both impoverished – by tycoon standards, that is, meaning their family wealth dissolved due to profligacy and bad luck, and they had fallen into the chilly depths of the middle class – and Suplicy's son was a senator for the PT. To be fair, Eduardo Suplicy was active in PT ranks before 1989, but back then he was considered a black sheep of his social milieu, and by 2002 he was recognized as simply ahead of the curve. By 2002 the reigning social figures in Brazil were people like soccer star Ronaldo, model Gisele Bündchen and singer Gilberto Gil. In other words, Brazil no longer had elites, it had celebrities. These celebrities had no inherent or inherited reasons to shrink from leftist politics, and the PT in particular eagerly cultivated their support. Not for nothing did Lula choose Gilberto Gil as his Minister of Culture. The decline of the elite did not turn Brazil into a land of economic equality – distribution of wealth remained extremely uneven. Nor was the importance of family ties lessened, as Chapter 6 will explain. But social and economic mobility increased dramatically, removing any quasi-aristocratic opposition to the left.

Lula and the most powerful faction of his Partido dos Trabalhadores ceased to advocate thoroughgoing socialist reform, at least in polite company, seeking instead to incorporate and appease organized popular movements while hewing largely to the orthodox economic strategy manned out by Lula's predecessors. Fernando

organizations, successfully moved political discourse decisively to the left, and public acceptance of progressive reform – including acceptance on the part of the business sector – moved with it. In 1989, the PT's proposals for broad agrarian reform, for popular participation in municipal budgeting, and for greater political leverage for organized labor federations were all deemed unacceptably subversive by the country's reigning economic powers. By 2002, these and several other reforms initiated by Fernando Henrique Cardoso – race-based affirmative action, direct disbursement of social spending to poor families, greater restrictions on economic development in the Amazon – were deemed inevitable and, with the exception of affirmative action, largely unexceptionable elements of the political landscape by all but a few holdouts.

As these intertwining processes unfolded, the meaning of being leftist in Brazil also changed dramatically. During the military regime, being of the left entailed some kind of struggle against the dictatorship, and in the early stages of redemocratization, it entailed pushing for broader popular participation and the redistribution of wealth. While these latter goals remain rhetorically unifying, they have, in practice, largely been subsumed by the grinding political demands of stitching together governing coalitions and appealing interest groups. The “rise of the left,” then, really means the rise to power of former opponents of the military regime, and the increasing political leverage of the civil-society organizations that have supported them.

Ideology and physiology

A brief glance at the Brazilian political spectrum begins to reveal the nature and extent of the nature of this political transition. Since 1994, the PT's principal opponent has been Fernando Henrique Cardoso's Partido da Social Democracia Brasileira, or PSDB, a party modeled on European social democratic counterparts, advocating a similar “third way” blend of targeted social spending and invest-

Liberal, or PFL, perceived in the Brazilian context as the last bastion of conservatives, changed its name to Democratas (DEM) in explicit homage to the Democratic Party of the United States. Leaders of the renamed party expressed admiration for the US Democrats' historic support of civil liberties and public education, and for Clintonian Democratic administration in particular. The DEM immediately made environmental defense one of its central planks. This shift was rhetorical and not substantive, but demonstrates a central truth in Brazil's political arena: parties and politicians will go to great lengths to run from allegations of rightwing sympathies.

There is no significant party to the right of the DEM. On the other end of the spectrum, a cluster of fragmentary parties continues to uphold more radical views. Most prominent among them is the Socialism and Freedom Party, or PSOL, whose presidential candidate, Heloísa Helena, ran a surprising third in the 2006 election. Helena, a former PT militant, casts the PSOL as the real embodiment of the PT's original vision. (She is also the politician who takes most evident delight in calling Lula a bearded toad.)

New actors in civil society have also come to prominence since the 1980s, such as the Landless Workers' Movement (Movimento dos Trabalhadores Rurais Sem Terra, or MST) and the non-governmental organizations that have pushed for human rights reinforcement. The ability of these organizations to execute effective media strategies in the contentious press of the post-1989 period has made their rhetoric pre-eminent.

The rise of the left has coincided with a period of significant economic and administrative reforms, but many of these – such as the privatization of state enterprises – are not leftist in nature, and the former opponents of the military regime who have come to power have rarely pushed a radical agenda. This moderation has global and local explanations. Globally, the most powerful sectors of the Brazilian left have come to embrace at least part of the Washington Consensus, prizing economic growth and encouragement of foreign investment as the basis to development. Locally, there is movement here

tion and administration must be filtered through them, putting a substantial damper on potential radicalism.

The regional machines are not ideological, but “physiological,” in the apt Brazilian terminology: they occupy administrative bodies and flex bureaucratic muscles. They are characterized by weak party loyalty and strategic adherence to governing coalitions in return for control over specified government resources. The most enduring of these machines have roots in the bipartisan system of the dictatorship, when the only legal parties were the rightwing ARENA (Aliança de Reconstrução Nacional) and the ostensibly opposition party MDB (Movimento Democrático Brasileiro). In reality, both parties became closely intertwined with administration in different parts of the country. Consequently, their surviving powerbrokers are as likely to hail from the PMDB (the Partido do Movimento Democrático Brasileiro, or Brazilian Democratic Movement Party), the successor to the MDB, as they are from the DEM, one of the successors of ARENA. Since redemocratization, new regional powerbrokers have emerged in other parties, but their personalist, interparty networks are far more important than the shifting alphabet soup of their party alliances. None of Brazil's two dozen parties is above the “physiological” temptation, but some are more successful than others at running party machines.

Regional powerbrokers typically extract concessions in ways that substantially alter and sometimes contradict national policies. In order to carry out agrarian reform, for example, Cardoso needed to pump resources into regional machines in sparsely populated states that carried out local policies reinforcing land concentration. As a result, the ability of these powerbrokers to bring first Cardoso and then his rival Lula to the bargaining table has created an uneasy overlap between leftist politics and old-fashioned clientelism – the personalist use of state funds to curry political favor among key interest groups.

The regional machines have been able to rely on curious features of the 1988 Constitution to name them: their administrative levers are

Elected officials cannot be prosecuted for "common crimes," covering almost everything not directly electoral, as long as they hold office. A constitutional amendment of 2001 placed some restrictions on these immunities, making it easier for prosecutors to indict congressmen, but a majority vote within Congress can still suspend prosecution, a loophole ably exploited by the regional machines to protect colleagues who have run foul of the law. Congressmen can also effectively time their renunciation of office in order to retain their eligibility in future elections, while requiring the process of indictment and prosecution to begin again.

Open-list elections for congressional representatives, the ability of congressmen to switch parties without losing their seats, and a low standard for the percentage of overall votes necessary for a party to place a representative in Congress all contribute to the proliferation of ideologically indistinguishable micro-parties that exist primarily to trade votes for administrative appointments and project funding.

There are currently over twenty-five parties represented in Congress, several of which have fewer than five seats – an unfortunate consequence of unrestrained pluralism. Much of the work of governing consists of persuading these micro-party representatives to vote with the governing coalition. State governors exercise considerable leverage in this process, because of constitutionally required transfers of federal receipts to state governments. Again, this reinforces the perpetuation of interparty regional machines. These machines have also exploited weaknesses in the judicial branch, such as overlapping jurisdictions and the frequent issuance of staying orders that block imprisonment or seizure of assets until cases reach their conclusion, a process that can take over a decade. Consequently, it has proven almost impossible to serve significant jail time for political corruption, much as some elected representatives have tried.

This physiological nature of the political arena, marked by common corrupt practices, places strict limits on the potential consequences of ideological transformation.

governed Brazil between 1964 and 1985. The 1964 coup itself was widely supported, responding to a general sense that the government of President João Goulart was spiraling towards disintegration. By the time the generals finally relinquished their grip, however, they were despised by much of the populace. Having struggled against the dictatorship – particularly if the struggle involved jail, torture or exile – the left subsequently became a valuable political trump card in the period of redemocratization.

This development was completely unpredictable in the early 1960s, when the Cold War was still understood to be a distorted global variation on the local struggle between Getulistas, or supporters of Getúlio Vargas, and anti-Getulistas – as ever, Brazilians necessarily saw domestic political events in the foreground and the international scenery in the distant background. Getúlio Vargas seized power in 1930 in a so-called revolution whose key participants sought only to update an oligarchic republic. But the global context of the crisis of liberal republicanism pushed Vargas into more ambitious experimentation, and he amassed greater power in stages. He inaugurated the Estado Novo dictatorship in 1937, relying on secret police, political prisons and loyal henchmen to supplement his popular appeal. His alliance with key industrialists; his patronage of government-organized labor unions, and his astute negotiation of international investment guaranteed the short-term economic growth that underpinned state expansion. Getulismo became both a popular phenomenon and the fuel for a political machine.

Vargas was ousted in the wake of World War II, but his temporary absence from the capital only strengthened his popular appeal, and he returned to power as elected president in 1950. The populist initiatives of this "second regime," like coercing employers into granting generous concessions in order to settle strikes, stoked the ire of the conservative middle class. Over the course of 1954, Vargas's opponents turned the drive to unseat him into a moral crusade. On August 24 of that year, he shot himself in the heart, leaving behind

Exile and underground

Opponents of the regime chose from among a limited range of options. While no one could have known it at the time, the choices made among these options proved enormously influential in determining future political status. As former opponents of the military regime consolidated their political power in the 1990s, their actions in the 1960s and '70s became crucial items on their political resumsés, with relative intensity of opposition to the dictatorship helping to determine the new pecking order. A brief glance at the choices made by representatives of the key factions will help clarify this process.

The most aggressive opposition politicians, like Brizola, had no choice but to leave for exile in 1964. Brizola spent the early years of the dictatorship in Uruguay, and then moved to Portugal in 1977, two years after the fall of that nation's Salazarist dictatorship. Portugal became the base for a gathering network of labor-oriented Getulistas and new Brizolistas, who planned their electoral strategy for the long-delayed redemocratization.

More moderate politicians, like the old-line Getulista Tancredo Neves, remained in Brazil, choosing to work for gradual reform within the military regime. The moderates were to give the MDB its limited capacity for contestation and proved a crucial bridge to redemocratization over the course of the 1980s.

Illustrious academics, like Fernando Henrique Cardoso, began to stream steadily out of the country. Some were arrested, tortured and deported, others took flight before they could fall into the wrong hands. Cardoso was among the first to depart, in 1964. He spent the early years of the dictatorship in Chile, at the Economic Commission for Latin America (ECLA), a United Nations-funded think-tank strongly associated with dependency theory. Cardoso did his most influential scholarly work at ECLA, refining the broad strokes of dependency theory into a more nuanced analysis of the possibilities for economic emergence of peripheral nations.

Cardoso returned to Brazil in 1968 and the regime recommended

18 | One

to the presidency in 1955, and built an administration characterized by massive state projects such as the construction of the new capital at Brasília.

Jânio Quadros, elected in 1960, had built his own populist base in middle-class São Paulo but only secured presidential election by striking a compromise with the Getulistas, making Vargas's protégé, João Goulart, his vice-president. Quadros resigned from office in a failed power play, and Goulart took office in the midst of constitutional crisis. He enlisted the support of his charismatic brother-in-law, Leonel Brizola, governor of Rio Grande do Sul. Brizola, more volatile than Goulart, expropriated multinational corporate holdings and advocated extensive nationalization programs.

Brizola astutely decided that Rio de Janeiro offered a better platform for his political ambitions than did provincial Rio Grande do Sul, and in 1962 won election as a federal representative from Guanabara, the small city-state created when the federal capital was moved to Brasília in 1960, and basically comprising the city of Rio de Janeiro. His ongoing battles with Guanabara governor Carlos Lacerda, a renowned anti-Getulista, helped to bring the national conflict to a crisis.

Goulart dithered, vacillating between attempts to appease radical nationalists and reassure moderate republicans. Wary of radicalism, Brazil's most powerful generals seized power on March 31, 1964. No one expected their intervention to last over twenty years, but the generals who seized power found no suitable candidate capable of defeating Getulismo at the polls. They sought to cleanse the political arena by outlawing existing parties and limiting the political spectrum to two new parties, ARENA and the MDB.

This political narrowing then took on a logic of its own. Increased willingness to use heavyhanded repressive techniques helped bring to power a new cast of officers, more fearful of subversion than their predecessors. The impatient anti-Getulismo of 1964 gave way to aggressive anticommunism. The decisive point of transition came in

for Analysis and Research (CEBRAP) became a nurturing ground for analysis of the regime's flawed development policies.

Student activists formed underground cells affiliated with radical factions. Ação Libertadora Nacional, or ALN, was a splinter faction dissatisfied with the Brazilian Communist Party's reluctance to engage in armed struggle against the dictatorship. Its most energetic participants included José Dirceu, a student radical from São Paulo known for his disdain for anything less than ferocious commitment to the movement. The October 8 Revolutionary Movement, or MR-8, another dissident communist faction, helped pioneer the tactic of robbing banks and supermarkets to fund the revolutionary struggle. It counted among its adherents aspiring journalists like Franklin Martins and Fernando Gabeira.

The MR-8 and the ALN occasionally joined forces, most notably in the kidnapping of US Ambassador Charles Burke Elbrick, in 1969, an episode recalled in the 1997 Bruno Barreto film *O Que é Isso Compañheiro?* (marketed abroad as *Four Days in September*). The kidnapers released Elbrick in return for the liberation and safe deportation of a list of political prisoners. A look at the rosters of participants in the episode illuminates the importance of radical opposition to the military regime in laying the groundwork for political influence during redemocratization. Several key organizers of the kidnapping were captured and tortured, some fatally. Other participants fared better. Fernando Gabeira endured arrest and exile, returning to Brazil to write the book that served as the basis for Barreto's film. He later founded Brazil's Green Party, temporarily jumped ship for the PT, and then returned to the Green Party, all while serving as a federal deputy from Rio de Janeiro. Franklin Martins spent years of exile in Cuba, then returned to Brazil to become one of its most prominent journalists, and served as Lula's Minister of Social Communication.

Among the prisoners released in return for Elbrick were José Dirceu, who also spent most of his exile in Cuba, where he underwent plastic surgery, changing his appearance in order to return to Brazil

founders of the PT. As one of that party's guiding intellectuals, he played a key role in its gradual rise to power. As Lula's first chief of staff during the first three years of Lula's presidency, Dirceu was the second most powerful man in Brazil.

Other influential factions included Ação Popular, or Popular Action, a socialist network imbued with the spirit of the early liberation theology movement, placing great emphasis on direct action among the poor. Among its founders were José Serra and Herbert José de Souza. The first, an economics student and son of working-class parents in São Paulo, rose to prominence as the president of the National Students' Union. The second, a Catholic activist from the interior state of Minas Gerais, served as coordinator for the AP in the first years of the dictatorship, guiding its growing engagement with Marxist theory. Política Operária, or Polop, was a local faction in Minas Gerais that sought to spread Marxist theory from campus to factory. The economics undergraduate Dilma Rousseff was one of its early teachers. Following the fall of the regime, Serra became Minister of Health under Cardoso, lost the 2002 election to Lula, and then served as Governor of São Paulo. Souza became the most influential social activist of the 1980s and '90s. Rousseff served in PT state administrations in Rio Grande do Sul and then became Lula's second chief of staff and likely PT candidate for Lula's presidential succession.

Conspicuously absent from this brief survey of prominent opponents of the early regime is the bearded toad himself. In 1964, Lula was an entry-level metalworker at a plant in São Paulo's industrial periphery. As such, his working life was structured by the legacy of Getulismo – its guaranteed minimum wage and workplace protections, its worker-training programs, and its vertically organized bread-and-butter-oriented unions. For metalworkers, in any case, the regime's industrialist policies meant steady employment, greatly compensating for reduced political freedoms. It was not until the late 1970s, with the regime's developmentalist policies falling apart

When the miracle ends

The military dictatorship bet its reputation on economic growth and lost, for two reasons. Rapid growth in the early 1970s stimulated social habits that eventually conflicted with the regime's strictures, and high inflation in the late 1970s brought growth to a grinding halt, provoking resentment and mobilization by a diverse opposition. The inflationary spike was a global phenomenon, triggered by rising oil prices, and it created complications for authoritarian regimes across Latin America. In Brazil, where the regime had already lost much of its initial support, inflation made the endurance of authoritarianism untenable.

During the so-called economic miracle of the early 1970s, state investments in the steel, petroleum and hydroelectric sectors triggered annual growth rates of over 10 percent. The "miracle" helped generate new appetites and new habits: the dictatorship was politically repressive, but socially tolerant. The 1970s were a decade of rapid loosening of social restrictions in Brazil, in tune with similar transformations in the United States and Western Europe, and ahead of most of its Latin American neighbors. Former political militants expressed their new lifestyle liberation by smoking marijuana in the dunes of Ipanema beach, a habit largely tolerated by the declining dictatorship.

TV Globo led the way in the relaxation of social restrictions. Roberto Marinho, owner of the network, had parlayed his early support of the regime into a host of favorable concessions of regional broadcasting licenses, helping Globo to rise above its competitors. Marinho proved just as astute in his choice of employees, consistently hiring the best writers, directors and producers. One curiosity of this dominance was that the station's most successful writers – particularly those of its prime-time *novelas*, or soap operas – were avowed communist sympathizers. Marinho, well aware of these leanings, voiced no objections as long as ratings were high and political content remained implicit. The writers, for their part, understood – with

featured orphaned heroes forced to overcome the misdeeds of the rich and powerful in order to claim their true destiny. Globo's novelas of the 1970s added the twist of a pointed disdain for the corrupting influence of capitalism, offset by a brand-specific fascination with consumer goods. This recipe, coupled with plenty of adultery and as much flesh as loosening social norms would allow, gave Globo dominant nightly ratings.

Onscreen, the inflationary spike of the late 1970s only heated up the action, raising the stakes of winner-take-all novela plots. Offscreen, inflation meant a ratings disaster for the regime. Antônio Delfim Netto, Minister of the Interior in the early 1970s, had paid for infrastructural investment by contracting foreign loans at floating interest rates. When oil prices spiked in the mid-1970s, interest rates went with them. Brazil's debt suddenly expanded as foreign investment dropped.

Inflation wreaked havoc on urban middle-class families, many of whom had contracted floating-rate loans in order to purchase the apartments built in the miracle's real-estate boom. Mortgage delinquency spread like dengue fever, and massive foreclosure was not a politically-viable option. Instead, the federal bank that backed mortgages swallowed much of the loss. The dictatorship, suddenly in spiraling debt both externally and internally, watched its projects grind to a halt.

Middle-class homeowners founded neighborhood associations to petition for debt relief. Favela residents used their own neighborhood associations to demand infrastructural investment, and the social liberalization of the early decade helped prepare the ground for new movements. The Unified Black Movement united fragmentary race-based organizations into a temporarily cohesive front. The indigenous movement denounced state paternalism. The women's movement organized to convert social liberation into women's autonomy. The gay movement began to expose broad hypocrisies in attitudes towards homosexuality. The regime suddenly found itself

businesses based movements demanding a seat at the table

The reorganization of the left

Having lost the support of the urban middle class, and unable to contract new loans for the kind of development projects that had guaranteed some level of popular support, the regime made the strategic decision to grant these new social movements greater leeway. In neighboring Argentina and Chile, hardline dictatorships cracked down heavily on similar movements, yielding thousands of casualties. In Brazil, the technocratic regime chose a path of gradual opening. Labor strikes and the formation of new political parties, both outlawed since the inception of the regime, were permitted at the close of the 1970s. The former set the stage for Lula's rise, the second for that of Brizola.

The metalworkers' strikes of 1979 on São Paulo's industrial periphery exploited several of the regime's newfound weaknesses. It was no longer politically feasible to lock up strike leaders, but the regime had no history of forcing employers to the bargaining table. The strikers themselves recognized that their political advantage lay not in settling with individual employers but in using a growing wave of strikes to create and cement a new labor federation, the Unified Workers' Central, or CUT.

Lula's humble background – his parents had migrated from the impoverished northeast to São Paulo's growing urban periphery – became an asset in his construction of his political persona. He attracted the enthusiastic attention of academics and Catholic activists infused with the new ideals of liberation theology – the growing conviction within a progressive wing of the Church that a kind of social Catholicism informed by Marxist theory could serve as a basis for radical reform. While the strikes were still underway, representatives from these sectors laid plans for the organization of a socialist party that would make working-class activism the focus of a broader struggle. The PT was in the process of being born.

In the meantime, the new social movements found common cause in a call for amnesty for political prisoners and exiles, a campaign that entered like hundreds across Brazil over the course of

Blanc and João Bosco, offered a political allegory of the abuses of the dictatorship and the tentative steps of a redemocratizing Brazil. One of its most famous lines called for "a volta do irmão do Henfil," the return of Henfil's brother. Henfil, or Henrique de Souza Filho, was a cartoonist for the satirical opposition magazine *O Pasquim*. The tune's success made his brother a celebrity even before most of Brazil knew his name – Herbert José de Souza, soon to be better known throughout Brazil as Betinho.

From without, US President Jimmy Carter also pushed for greater political opening. Unwilling to endure the kind of international opprobrium increasingly focused on the Argentine and Chilean regimes, and unable to crack down domestically, the regime conceded political amnesty. Betinho, Brizola, Serra, Gabeira, Martins and a host of other prominent opponents of the regime flocked back to Brazil. Suddenly Brazil was afire with leftist organizing. The alliances and strategies chosen over the ensuing three years would play critical roles in the rise of the left over the next two decades.

Betinho had spent his long exile cultivating ties in an international network of leftist academics, and upon return to Brazil he put into action his plans to create a leftwing think-tank. Betinho and his colleagues, the engineer Carlos Afonso and the economist Marcos Arruda, established IBASE, the Brazilian Institute for Social and Economic Analysis. Betinho and Arruda had both forged their political commitment as lay activists in the early liberation theology movement. They brought liberation theology's concern for the poor and its denunciations of capitalism to IBASE. Nowhere was this more true than in the institute's attitude towards agrarian reform. IBASE's studies characterized rural poverty as the result of traditional Brazilian tendencies towards land concentration exacerbated by the political reliance of the dictatorship on rural oligarchs. In this analysis, rural inequity was the primary source of the rising urban poverty of the peripheries of Brazil's major cities, because rural land concentration pushed landless farmers to the urban fringe. Agrarian

reform network. The foundation and growth of the Movimento Sem Terra, or MST, the Landless Workers' Movement, formed the rural basis of that network, and would eventually develop its own highly sophisticated media strategy, as analyzed in Chapter 3. Through the mid-1990s, however, IBASE and Betinho played key roles in giving the message of agrarian reform an academic and urban imprimatur.

Betinho was at the forefront of a trend of lay activists who left Church activities for the independence and mobility of non-governmental organizations. In the early 1980s, activism within the Church was still strong, and many activists in Christian Base Communities, or CEBs, enthusiastically adopted the practice of "occupying spaces" in the broad political struggle, seeing no office as removed from the larger process. Neighborhood associations, literacy programs, rural cooperative boards and municipal social service projects all drew energetic CEB activists. As a result, they were well positioned to make a transition to NGOs in the 1990s, exercising an enormous influence in civil society.

These CEB activists were crucial to the national growth of the PT. The party's organizers deliberately set out to create something that Brazil had not previously seen – a party built from the grassroots, with dues-paying members, a rigorously structured process of debate and internal elections. The PT of the early 1980s had no wealthy backers; instead, its members, from Lula to the most humble newcomer, were expected to "tithe," paying a small percentage of their salaries to the party's coffers – a practice that endures nearly three decades later.

Brizola was among the first to perceive the PT as a competitive threat. He also founded a new party targeting the working class, the Democratic Workers' Party, or PDT. Brizola soon found himself competing with the PT for the loyalty of old comrades-in-arms, and responded by going directly to the people. While the PT was expanding the base of its party structure by calling upon the energies of CEB veterans, Brizola began drafting community stalwarts who

of domineering intellectuals, and "Petistas," supporters of the PT, condemned the PDT as a relic of old-school populism.

The MDB – renamed the PMDB after the legalization of broad party competition – had stronger national representation than either of its new rivals, but it had little popular mobilization. Its state-level officeholders became increasingly known for rent-seeking control over the machinery of local government, and many politicians migrated away from the party over the course of the 1980s. Fernando Henrique Cardoso and several colleagues from São Paulo, for example, left the PMDB in 1988 to found the PSDB, a party that made up for its lack of grassroots support with well-placed administrative allies.

From *Diretas Já* to impeachment

By the early 1980s, the dictatorship had conceded to a process of slow opening, and the opposition had largely accepted that premise, leaving only the details to be hammered out in a constant process of negotiation. In 1982, Brazilians elected state governors from open slates for the first time since 1960. Opposition leaders carried the day in the major southeastern states, with Brizola winning in Rio de Janeiro. The PDT won the plurality of seats in Rio's state assembly: within two years of its invention, it had become dominant in one of the nation's key states.

The opposition victories of 1982 set the stage for a demand for free presidential elections, understood to be the final step in the process of redemocratization. The *Diretas Já* campaign – direct elections, now – that swept across the nation in 1983 and '84 was Brazil's most broad-based grassroots movement. The crumbling shell of the dictatorship ultimately defeated *Diretas Já* with the only weapon it had left, abstention: the rightwing congressmen simply left the building when the measure was being voted, ensuring it could not be ratified.

But the movement's popular enthusiasm forced the dictatorship to negotiate a presidential election the following year.

The 1985 election was neither direct nor open slate – the candi-

Neves, the old-line Getulista. Maluf was considered so unsavory that many regime supporters deserted him, throwing their lot behind Neves. They wisely negotiated a compromise, however, asking Neves to name as his vice-presidential candidate José Sarney – like Maluf, a conservative populist head of a regional machine, albeit in this case from the impoverished northeastern state of Maranhão.

Neves won the election and then fell mortally ill with an abdominal infection. Sarney assumed office, temporarily blocking the movement for more radical reform and easing the transition of the regional machines to democracy. The Constitutional Assembly of 1988 gave the left wing another chance. Grassroots organizations proposed hundreds of popular amendments, and the few PT congressmen participating in the deliberations adopted them, building their national reputations in the process. By the end of the year, the body produced a constitution containing thousands of clauses. Some of these were deeply pertinent to a nation emerging from dictatorship – torture, for example, was ruled a crime demanding imprisonment with no possibility of bail. Many, however, were purely aspirational, such as the stated guarantees of rights to education, health and housing. None of these was near to becoming a reality, but the new constitution helped set the terms of future debate and legislation.

The postdictatorship

The ratification of the constitution finally slammed the door shut on the dictatorship, and set the stage for a struggle for power in the increasingly pluralistic political arena of the new democracy, beginning with the 1989 presidential election. Brizola was the frontrunner on the left, Lula the dark horse candidate. The right, showing early evidence of its inability to cope with electoral politics, failed to produce a consensus candidate. Fernando Collor de Mello, representing a tiny startup party, filled the gap by appealing to business interests with free-trade rhetoric. Collor de Mello also campaigned on his project to root out the *maharajas* – civil servants who had

made for good footage on Globo TV, which gave the dashing Collor extensive screentime.

Globo's coverage helped to polarize the elections. Roberto Marinho's antipathy for Brizola ran deep, and in the opening months of the campaign, Lula came off relatively well in comparison with Brizola in Globo's coverage. Most observers were surprised, nonetheless, when Lula edged Brizola in the first round to earn a second-round confrontation with Collor.

Globo TV, and in particular its nightly news program *Jornal Nacional*, played a key role in the unfolding of the second round. *Jornal Nacional*'s clips from the televised debates highlighted Lula's worst moments and Collor's best. Collor won, and then discovered the difference between campaign support and political alliance. Rather than building a national base, he stocked the highest levels of government with friends. He then attempted an unorthodox anti-inflationary treatment, freezing private savings accounts on the theory that a temporary halt to spending would break the inflationary cycle. The urban middle class that had played a key role in Collor's election was hit hard by the banking freeze and grew suddenly hostile towards the president. Globo television and *Veja* magazine, influential formers of political opinion, echoed and amplified the changing mood.

Then the real scandals started to break. Collor's cronies had organized a scheme of kickbacks and skim-offs on government contracts that was highly similar to the operations of a number of regional political machines. But those regional machines depended on significant leverage over local media – Collor's own family, for example, owned newspapers and television stations in Alagoas. But Collor had no control over national media – on the contrary, national media organs largely controlled his destiny.

Collor deserved to be impeached, but it remains a surprising testament to his political naiveté that he got what he deserved. Over the course of 1992, as scandals broke, a broad-based coalition mobilized to demand Collor's impeachment. The mobilization was

As the storm gathered, Globo broadcast a mini-series called *Anos Rebeldes*, Rebel Years, set in the late 1960s, sympathetically portraying student radicals. The mini-series was a bellwether, sounding a decisive change in the political climate. Globo's writers were coming out of the closet with their political sympathies. The network that had blossomed under the protection of the dictatorship was now portraying the enemies of that regime as heroes, and the regime as the enemy. *Anos Rebeldes* demonstrated that this perspective had now become mainstream, and did so in a way with direct implications for the existing political scenario. Collor's impeachment itself was ultimately less significant than Globo's transition.

Enter FHC

Collor was impeached in 1992, but not convicted of any crime. His primary penalty was the loss of his political rights for eight years, including the right to run for office. His ouster brought to power his vice-president, Itamar Franco, a moderate from Minas Gerais who governed for the next two years. Franco undoubtedly would have gone down in history as one of Brazil's most ineffectual presidents had it not been for his choice of an economic team. He named Cardoso finance minister, and Cardoso brought on board a group of young economists from São Paulo who had seen enough of the failed shocks of the Sarney and Collor years to proceed with caution.

They had little room for error, for Collor's corruption had given a bad name to economic liberalism. In Collor's wake, cutting spending, reducing tariffs and privatizing state enterprises were tarred as neoliberal ruses to enrich insiders and bankers. These denunciations proved compelling to Brazilians stung by Collor's kickbacks, but they were often wrong on the details. The vast majority of the federal government's social spending went to the middle class, in the form of pension payments for civil servants and generous expenditures on higher education. High import tariffs generated reciprocal tariffs that eliminated Brazil's comparative advantage in agricultural

the working class, above all. Salaries and savings accounts indexed to inflation made rising prices a bearable burden for the wealthy. But those working for cash off the books or paid in a monthly wage suffered the effects of devaluation by the day. Shock treatments were politically out of the question, but an orthodox monetary policy backed by strategic liberal reforms was necessary. Only a politician with an air of scholarly competence, a history of struggle against the dictatorship and a broad network of political allies could carry out such reforms. Enter FHC, as he became known in the Brazilian newspapers.

Cardoso and his team instituted the *Real Plan*, named for the new currency they created, replacing the *cruzeiro*. They initially pegged the *real* to the dollar, then allowed it to fluctuate within a predetermined ratio, and eventually allowed it to fluctuate with only limited intervention from the Central Bank. Neither new currencies nor pegging to the dollar were innovative policies – both had been tried and had failed. Other elements of the strategy were more novel. These called for a transitional period: as the old currency was phased out, prices were calculated in “Units of Real Value” indexed to the dollar. Only after complementary policies had slowed inflation was the new currency introduced. In the meantime, the Cardoso team raised emergency funds for short-term social expenditures through new taxes, cut tariffs, aggressively promoted exports and promised privatization. These policies responded to the predilections of the Washington Consensus, yielding massive capital inflows which buoyed the *real* upon its introduction in 1994 and carried it through its first five years with minimal inflation.

While that extended stability was by no means guaranteed in 1994, the initial success of the plan alone was enough to propel Cardoso to victory in that year's presidential elections. Lula, runner-up for a second time, was blindsided by the success of the *Real Plan*, and the Cardoso-Lula rivalry was sealed.

Cardoso's presidency was consistent with his academic career. To

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theory but not rigorously Marxist in its applications. Early dependency theorists replaced class structure with global economic patterns, arguing that international capitalism consigned some nations to peripheral status, necessarily perpetuating that status in order to enrich metropolitan capitalists. Working with Enzo Falleto, Cardoso had responded to this proposition in *Dependency and Development in Latin America*, a dependency-theory text written during Cardoso's ECLA years. Cardoso and Falleto argued that peripheral status was not an inevitable feature of capitalism but the consequence of a contingent array of circumstances. They advocated investment in targeted industrial and technological sectors coupled with broader rural development as a recipe for overcoming the obstacles hindering peripheral development.

Dependency theory, nevertheless, was consistent with a defense of state-owned enterprises and industrial protections in peripheral nations, and implied a challenge to international capital. Those who knew of Cardoso as a dependency theorist were consequently surprised by his presidential policies of privatization and pension reform, and by his pursuit of international investment. His opponents accused him of becoming a toady to international bankers, and alleged that he remarked "*esqueça o que escrevi*," forget what I wrote, to justify his ostensibly neoliberal policies. Cardoso apparently never said anything of the kind and had no need to — his policies did not contradict his academic work, which represented a reformist position within dependency theory. At the same time, the discipline of the Washington Consensus on one hand and the exigencies imposed by the regional machines on the other certainly dictated to a certain extent the unfolding of Cardoso's policy reform. He needed international investment to shore up the *real*, and he needed to bargain with the regional machines to push through the reforms that would keep investment coming in.

Like contemporary "third-way" political leaders — Bill Clinton in the United States, and Tony Blair in the United Kingdom, most

admission to public universities and recognition of the land claims of *quilombos*, communities founded by runaway slaves and still populated by their descendants. Neither of these initiatives yielded significant results during Cardoso's tenure, but both would be continued and expanded by Lula.

Cardoso had more success with *Bolsa Escola*, or School Grant, which paid poor families a monthly stipend for keeping their children in school. This conditional cash transfer program marked a sea change in Brazilian social spending: for the first time, major federal social spending went directly to the poor, rather than primarily benefiting the middle class. Cardoso also instituted agrarian reform policies, overhauling the federal government's land distribution agency and creating programs to facilitate the purchase, capitalization and market connection of small family farms. As discussed in Chapter 3, these policies met with mixed success, and only spurred the MST and the PT to greater antipathy.

Cardoso's AIDS policy best illustrates the tenuous balancing acts of his administration. In the early 1990s, international AIDS researchers predicted that Brazil would experience a pandemic, with infection spiraling upwards from an existing rate of 1.5 percent. Brazil's profile of existing infection levels and demographic patterns were often compared to those of South Africa. By the end of Cardoso's administration, South Africa had infection rates above 15 percent, while Brazil's stood at approximately 0.6 percent. Brazil owes its relative success in this regard primarily to its provision of free anti-retroviral medicine to everyone with AIDS. Implementing this policy required not only legislative persuasion and effective administration of an enormous program, but a willingness to defy Big Pharma. Brazilian labs reverse-engineered anti-retroviral medicines, enabling the government to live up to its commitment to providing free treatment without bankrupting the health budget. When multinational pharmaceutical companies pressured Brazil to respect their patents and pay high licensing fees, Cardoso's administration steered a

number - crossed wires were so common that it was necessary to confirm numbers before beginning conversation.

Privatization changed this by facilitating massive growth of the cellphone industry. Cellphones with prepaid plans, allowing users to pay only for the number of minutes they use, have enabled cellphone use across classes. Privatization of telecommunications has also facilitated broad digital inclusion in Brazil, as analyzed further in Chapter 6. Highspeed Internet and wireless connections are common features of urban life in Brazil. Privatization in this sector effectively distributed wealth. State monopolies had facilitated the operation of rent-seeking contract-holders, well-off citizens who literally used their connections to exploit the less fortunate. Market competition yielded improved service and exponentially broader access at a fraction of the price.

The political negotiations accompanying telecommunications privatization were less salutary, leaving a trail of unsavory connections that begins in Cardoso's administration and traverses that of Lula. But the beneficial results of privatization for common Brazilians are evident.

The privatization considered most notorious was that of the Companhia Vale do Rio Doce, a mining and railroad conglomerate. Getúlio Vargas had expropriated the original holdings from international capitalists sixty years earlier. Cardoso's privatization was thus explicitly intended to mark the end of a cycle of state capitalism. As Cardoso said, perhaps prematurely, "the Getúlio Vargas era is over."⁵ The Vale do Rio Doce had for years been a marginally profitable but inefficient state monopoly. As international demand for minerals soared, the company languished, incapable of investing in infrastructure. Following privatization, Vale, as it is now known, became the second largest mining corporation in the world, active on five continents. The company exponentially increased its labor force in Brazil, its annual tax payments far exceed the low profits it had made as a state company, and its demand for technological and industrial services has outstripped growth through the Brazilian

that infection rates declined quickly in the mid-1990s and have not declined since, suggesting other measures are necessary to make further progress. But the policies Cardoso's administration enacted in the mid-1990s demonstrate that he was willing to defy multinational capital on targeted issues.

The Achilles heel of Cardoso's social-democratic strategy was not its appeal to foreign investment, but its articulation with the physiological machines. Cardoso's alliance of convenience with powerbrokers like Antonio Carlos Magalhães of Bahia and Sarney of Maranhão meant that the regional machines continued to prosper within a transforming Brazil.

Privatizations and re-election

Cardoso's support for privatization of state enterprises and for a constitutional amendment allowing re-election of the president outraged his detractors. The privatizations contributed to economic growth and diversification and buoyed the currency, a vital ingredient in staving off inflation. But they also created problems, not the least of these being the provocation of strong popular resentment. Re-election was a disaster, perpetuating the worst aspects of Brazilian politics. Fallout from the compromises necessary to push through re-election contaminated Cardoso's larger project, casting a pallor of assumed scandal on his economic policies.

Cardoso privatized primarily in telecommunications, mining, transportation and energy. The privatization of the state telephone company Telebrás, along with its regional subsidiaries, was the most successful of these ventures. That success can be measured in phones: in 1995, before privatization, there were 600,000 cellphones in Brazil. By 2006 there were 100 million, far more than any other Latin American nation.⁴ In the early 1990s, contracting for new phone service in any major Brazilian city required waiting for approximately two years. Most clients instead made third-party arrangements with existing contract-holders, paying large sums for initial service, plus

raising questions about whether the Brazilian state has the will to restrain the beast it set free. Vale insists that it has put rigorous environmental controls in place, and that any damage near its operations results from unregulated growth around its projects, but putting the ball back in the state's court has not proven an effective way to protect the environment.⁶

Vale's privatization also entailed high political costs. "A Vale é nossa," the Vale is ours, became a nationalist-industrialist rallying cry, consciously echoing Getúlio Vargas's early 1950s mantra, "o petróleo é nosso," the oil is ours. Trade unionists led a popular mobilization against the privatization in the months leading up to the auction in 1997. Cardoso failed to make a convincing political case for privatization, leaving his adversaries to set the terms of the political debate. Mobilization ebbed in the wake of the sale but has flowed again in subsequent years in a campaign for "re-estatização," re-expropriation of the company's holdings.

Critics of privatization often raise the example of Petrobras, the state energy company, founded in the "o petróleo é nosso" days of the 1950s. Petrobras has emerged as a world leader in offshore drilling, refining of low-grade oil, and biofuels, and it has achieved this competitive edge as a state company. If Petrobras can do it as a state company, what prevented Vale from doing the same? Petrobras succeeded partly because of the peculiar economics of oil, which favors cartel politics in a way that bauxite does not, and where globally soaring demand ensures the profitability of virtually any company with a guaranteed supply. And it succeeded partly because of Petrobras's own history of massive investment and sheltered growth under the dictatorship, followed by partial privatization under Cardoso. It bears noting that Petrobras did not enter global oil's first division until Cardoso opened it to foreign investment in the late 1990s.

Eletrobrás is Petrobras's black sheep brother. The military dictatorship invested heavily in hydroelectric power but did not invest in research and development. Eletrobrás lacked both the technical proficiency and political centrality of Petrobras. Cardoso attempted

suffered through the notorious Enron-manipulated rolling blackouts of 2000–2001, much of Brazil experienced similar phenomena in the same period. Severe drought interrupting hydroelectric operations played a larger role in Brazil, but the effect was the same – power shortages triggered accusations of political incompetence and profiteering.

Electricity was not a commodity easily exported to globally hungry markets, but a will-o'-the-wisp that needed to be delivered immediately to domestic consumers, many of whom had negligible resources to pay for it. It was not a logical target for privatization, and the multinational companies that bought shares largely avoided the kinds of infrastructural investment that might have allowed Brazil to increase capacity. Consequently, partial privatization in this sector failed, and full-scale privatization undoubtedly would have failed more disastrously. Privatization had several logical and beneficial applications, but not in sectors characterized by a need for close regulation and the subsidization of services that were unprofitable but politically and socially necessary.

More generally, privatization pervasively relied on the substantial use of public funds. BNDES, the Brazilian government's development bank, loaned large amounts of taxpayer money to purchasers of stocks in several of the privatized companies. Cardoso's administration justified these loans with the explanation that they were necessary to ensure that Brazilian shareholders held a stake in the privatized companies, and that all would be paid back with interest. The distribution of public loans among small circles within Brazil's financial industry, however, left the administration open to charges of favoritism and collusion.

Privatization also failed to reduce public debt, one of the initial selling points for the policy. The success of the *Real Plan* and subsequent economic growth made public debt less onerous. External debt gradually fell, while internal debt grew, and this has arguably been part of the process of economic diversification that has characterized Brazil since the mid 1990s. But the amount of public debt

of a "Letter to the Brazilian People" that contained a coded but clear message of reassurance to Wall Street. The letter indicted the failures of neoliberalism and blamed them entirely on the Cardoso administration, but it also guaranteed that all existing contracts would be respected, and that Lula would make no rash economic moves – implying clearly that he would not indulge expropriationist fantasies. Mendonça's strategy proved highly successful – Lula came across as the man of the people prepared to balance economic growth and social responsibility, and his opponent, José Serra of the PSDB, came across as a soulless technocrat, compromised by his alliance with Cardoso.

Once elected, Lula fulfilled the economic promises of his letter, largely following Cardoso's economic strategy. He named Antonio Palocci, former mayor of the agroindustrial interior city of Ribeirão Preto, as his finance minister and insulated him from the political demands of the statist wing of the PT, led by his chief of staff, José Dirceu. Palocci and the Central Bank steered an orthodox macro-economic course, keeping interest rates high to guard against inflation and maintaining a favorable balance of payments.

These policies generated considerable grumbling within the PT, but only a more targeted blow would provoke open dissidence. Like Cardoso, Lula attempted to reform Brazil's pension system. Some 75 percent of Brazil's pension payments go to retired federal workers, who make up only 15 percent of the retired work force. The majority of the recipients are members of the middle class, and many continue to work off the books. This pension load generates an annual deficit of approximately \$30 billion dollars, which is covered through regressive taxes, such as high sales and value-added taxes.⁷ Both Cardoso and Lula saw pension reform as a necessary step to balancing payments and freeing up funding for directing social spending to those farther down the economic ladder – both central tenets of third-way strategy. Cardoso's attempted pension reform had largely failed. Lula tried in 2003, and found himself facing an

unreliable from a third of the PT's announcement

requiring a constitutional amendment. Amending the constitution had already become common under Cardoso's predecessors, and the issue of presidential terms and succession was already a topic of wide public debate in the Sarney years. But Cardoso had been a delegate in the 1988 convention. He had his opportunity then to speak in favor of re-election, and did not. To turn around a decade later and insist on it, for his own personal advantage, was correctly condemned as sheer hypocrisy. Cardoso's amendment allowed re-election of governors as well as the president, but there was never any doubt that it was written for the immediate benefit of one man, in order to obstruct another.

Again, Cardoso failed to make a persuasive political case for reform. Instead, he wooed parties in the governing coalition through distribution of government offices and promised spending. Governors who had their own interests in re-election also used their powers of the purse to influence legislators in favor of the amendment. Opponents alleged that Cardoso's staff was offering cash payments to congressmen, and Cardoso used his political leverage to quash a proposed investigation of the allegations. The amendment passed, at huge political costs.

Cardoso's second term, typical of second terms, fulfilled few of his expectations, and saw the emergence of a new crop of problems. Cardoso settled for a minor, largely symbolic reform of the pension system, and gave up on other proposed reforms. The international currency crisis devalued the *real*, undermining Cardoso's reputation for economic competence, and the power shortages of 2001 provoked popular resentment. These failures played directly into the hands of Lula and the PT.

The Lula years

Lula the candidate of 2002 had changed dramatically from the fiery strikeleader of 1979 and also from the unpolished debater of 1989. He hired Duda Mendonça, one of Brazil's most successful

advertising executives to run his campaign. Mendonça's combative

what she charged to be the PT's betrayal of its socialist ideals. She and her co-religionaries founded the upstart PSOL in response. The remaining PT congressmen fell into line, and Lula managed to pass a mild and largely ineffectual reform.

Lula attempted to carve out a presidential identity with a program called Fome Zero, or Zero Hunger, intended to eradicate malnutrition in Brazil. Fome Zero was a continuation of anti-hunger campaigns mobilized by Betinho in the early 1990s. Duda Mendonça envisioned the program as a brilliant marketing strategy but it soon proved misguided. Studies by the Instituto Brasileiro de Geografia e Estatística (IBGE), a government-funded demographic institution, showed that hunger in Brazil was no longer a pervasive problem. The IBGE found that the proportion of the Brazilian population that could be considered clinically underweight, reflecting chronic malnourishment, did not exceed that in many "developed" countries.⁸ Obese Brazilians vastly outnumbered hungry Brazilians. The findings were a surprise to most observers, and showed that Brazil's growth in the period of redemocratization, the anti-hunger campaigns of the early 1990s and the improved social spending of more recent years had yielded concrete results. A few impoverished counties in the northeast needed hunger relief, but the majority of Brazilians needed education, health care and employment opportunities – not direct food aid.

Lula beat a hasty retreat from Fome Zero and invested in social programs similar to Cardoso's, increasing their resources. Where Cardoso had experimented with affirmative action, Lula created a Special Secretariat for the Promotion of Policies for Racial Equality (SEPPR), headed by veterans of Brazil's black movement, to expand and administer these programs. Where Cardoso had increased environmental reserves, Lula named the environmental activist Marina Silva his Minister of the Environment. Where Cardoso had initiated land reform, Lula stepped up the rate of redistribution.

In all these cases, Lula's social programs differed from Cardoso's primarily in their connections to the NGOs seeking to represent afro-

the new name for his greatly expanded version of Cardoso's Bolsa Escola. Cardoso's pilot program reached some 2 million families by the end of his administration. By 2006, Bolsa Família reached 11 million families, comprising over 40 million people, or nearly one-quarter of the total population of Brazil. Amazingly, distribution of resources has been well targeted. The rapid expansion of the program in 2003–04 created a variety of anomalies, including distribution of funds to families above the poverty line and failure to require school attendance. But a new administrative team cracked down on the municipal middlemen monitoring local execution, creating a highly efficient program. According to World Bank analysis, by 2006 the program's "leakage" – the amount of funding going to families above the poverty line – had been reduced to 6 percent, a level lower than any comparable global program.⁹

Bolsa Família's monthly stipends – ranging from approximately \$20 dollars to \$100 dollars a month, depending on level of need – have pulled millions of families above the poverty line, at least temporarily. Opponents have raised four criticisms: they have assailed targeting problems, complained that there is no "exit door" for the program, argued that the program may prevent the poor from looking for work, and alleged that it is primarily an electoral program for Lula. Improved targeting has at least temporarily resolved the first issue, although making sure it does not recur is a different matter. The criticism that there is no "exit door" bears slightly more weight – beyond getting poor children to the schoolhouse door, a policy with only medium-term prospects for improving economic fortunes, the program has no direct impact on their economic opportunities. This is related to the "moral hazard" criticism, suggesting that recipients will relax in the comfort of their \$100 monthly stipend and feel no need to find gainful employment. Initial research suggests the opposite may be true: the small monthly stipend, by meeting a basic level of need, may be allowing very poor mothers to leave dangerous informal occupations like tending charcoal kilns or picking through

The charge of political use of federal social spending is correct but not damning. Bolsa Família has turned the PT into a political force in the northeast, where it was once weak. But social spending has always been used for electoral purposes, and Bolsa Família has attracted electoral sympathy primarily because it has worked well.

Bolsa Família has flaws. It has brought children to the schoolhouse door, but it has not given them a good education. The Brazilian public educational system is in tatters, with overcrowded classrooms, undertrained teachers and short schooldays – primary school entails about three half-hours of classroom time per day. Education itself urgently needs more funding and better administration. Critics who suggest that Bolsa Família pulls funding away from schools, however, would do better to look for fat in the rest of the federal, state and municipal budgets. Bolsa Família is far from a revolutionary solution to poverty and inequality, but it is a well-executed program, at least in its current manifestation.

Lula's scandals

Bolsa Família's electoral implications proved necessary for Lula, for a wave of scandals within his administration cost him the support of much of the educated southeastern electorate that had voted for him in 2002. The first scandal broke before his election: in January 2002, Celso Daniel, the PT mayor of Santo André, a city on São Paulo's industrial periphery, was kidnapped and murdered. The crime had all the characteristics of a "queima de arquivo," or archive burning, undertaken to eliminate a witness. Daniel's brother revealed that, as mayor, Daniel had initially presided over a kickback scheme extorting payments from local bus companies, and then had attempted to shut the scheme down. According to Daniel's brother, the mayor had kept careful records of the bribes showing that the payments were organized by Dirceu's wing of the PT. Several rounds of police investigation resulted neither in official charges nor in a convincing explanation of the murder.

Months later, businessmen bidding on contracts with the Brazilian Post Office secretly videotaped a post office administrator pocketing a cash bribe. The administrator claimed to be representing Roberto Jefferson, a key member of Lula's governing alliance: Jefferson negotiated the loyalty of congressmen from the Partido Trabalhista Brasileiro, a notoriously physiological party, in return for the power to control appointments and expenditures in the post office, among other perquisites.

Jefferson shocked Brazil by admitting the charges and revealing a broader scheme. According to Jefferson, the PT paid members of its allied base a monthly allowance – the *mensalão*, or big monthly – in exchange for votes in favor of PT legislation. Jefferson reported regular payments of \$15,000 dollars, with larger sums for particularly sensitive projects. His allegations led to the discovery of extensive corruption. Opposition politicians testified that leaders of the governing base had offered them substantial payments to jump parties, promising the *mensalão* plus an annual bonus of \$500,000.

According to Brazil's chief prosecutor – a politically independent position – the PT had moved hundreds of millions of dollars in bribes through fake public relations contracts. After months of investigation, the chief prosecutor presented a detailed description of a criminal network operating in the highest offices of national government. Money came into PT coffers via kickbacks on government contracts, was laundered in the form of bogus contracts for advertising campaigns, and was paid under the table to allied politicians. The indictment did not entirely substantiate Jefferson's claim of regular monthly payments, but did reveal an extensive pattern of payoffs in return for political favors.

Every member in Lula's immediate circle was implicated in the scandal. José Dirceu was indicted as the ringleader of the criminal network. José Delúbio, the PT's treasurer, admitted that the PT's campaign books were systematically fraudulent. Duda Mendonça admitted to receiving millions of dollars in covert payments deposited in various bank accounts. José Cláudio Mendonça, the PT's

shore up relationships with allied parties. He did so in the same way Cardoso had done, by strengthening his alliance with the regional machines, reaching out to the powerbrokers that the PT had once abhorred. Fernando Collor, for example, his political rights restored, was elected senator from Alagoas in 2006. In an irony that demonstrated the strange twists of Brazilian politics in the early twenty-first century, he won the seat vacated by Heloisa Helena for her presidential run. Lula welcomed him into the governing alliance.

Lula also reached out to Paulo Maluf, negotiating ministerial posts with Maluf's party. He was most effusive in his praise of Jader Barbalho, a PMDB congressman from Amazonas. Barbalho had a long history of dubious use of political power, culminating in a scandal in 2001-02 involving millions of dollars skimmed from a federal agency created to promote sustainable development in the Amazon. In one of the scandal's most colorful details, Barbalho and his family collected 5 million dollars to create a frog-breeding farm. At the time, Lula and the PT had condemned Barbalho as the epitome of everything that was wrong with the Cardoso administration. Following the mensalão scandal, Lula welcomed Barbalho into the fold, claiming that he was a progressive congressman who had been unjustly treated.¹¹

The new right

Maluf, Collor and Barbalho had once been considered the right wing of Brazilian politics, but they happily allied with the PT when convenient. Cardoso, safely out of office, remarked on the implications of these opportunistic affiliations: "There is no right in Brazil, in the classic sense of the term. Conservative thought allies itself to a Western tradition that establishes as its pillars family, property, customs. Our conservatism has none of that. It is all to do with clientelism [...] the untoward use of the resources of the state. [...]"

Why has the Brazilian 'right' supported every administration? In recent history, it supported the military regime, it supported Sarney, it supported Collor. It supported...

indicted for directing funds from Banco do Brasil contractors into the mensalão.

Over thirty other high-ranking members of the PT and allied parties were indicted for their roles in the scheme. Late in 2007, Brazil's Supreme Federal Court upheld all the indictments, agreeing to hear the cases, in accordance with the schedule allowed by the slow and grinding wheels of Brazilian justice.

The tawdriest case was that of Antonio Palocci. His former assistants from Ribeirão Preto alleged that he had run a similar scheme, using kickbacks from government contractors to grease the wheels of municipal politics and to contribute to Lula's 2002 campaign. Their testimony led to the revelation that Palocci's colleagues from Ribeirão Preto had rented a mansion in Brasília where government contractors wooed elected officials at lavish parties hosted by prostitutes. Palocci denied knowing about the mansion, but Francenildo Santos Costa, the mansion's handyman, testified to seeing Palocci there regularly and described the parties. Palocci's allies illegally acquired Costa's bank records and passed them on to Palocci himself. The records showed an unusual deposit in the weeks preceding Costa's testimony, and Palocci's allies quickly leaked them to the press, implying that the opposition was paying Costa for his testimony. Subsequent investigation showed that Costa's father had made the deposit, for family reasons. It became clear that Palocci, star of the Workers' Party, had pulled the strings at his disposal in order to crush a humble worker whose only offense was his honesty.

The PSDB, the principal opposition party, hardly came off as innocent. Investigation of the mensalão showed that Eduardo Azeredo, president of the PSDB, had operated similar schemes during his failed campaign for re-election as Governor of Minas Gerais in 1998.

The PSDB accused Lula of running the most corrupt administration in Brazil's history, but took no steps to sanction Azeredo.

As his ministers fell one after the other, Lula insisted that he was unaware of everything that had gone on around him. This tepid

Azevedo is a former radical marxist who renounced the affiliations of his youth to become a fiery proponent of the "liberal right."

In this and in other ways, Azevedo follows the example of Olavo de Carvalho, the gray eminence of the new right. Carvalho attributes much of the left's political rise to the São Paulo Forum, a semi-annual congress of Latin American leftist organizations founded by the PT in the early 1980s. The São Paulo Forum has included Lula's PT, Fidel Castro, Hugo Chávez, Evo Morales, Colombia's FARC, Chile's MIR, and a host of other organizations, and Carvalho argues that it has enabled these organizations to extend their power through hemispheric strategies, including the orchestration of apparent disagreements among them. Lula himself has expressed considerable pride over the São Paulo Forum's achievements, but his role as one of its founders undoubtedly influences that appreciation.¹³ Carvalho's analysis of the São Paulo Forum has failed to convince many Brazilians, but his denunciations of Brazil's cultural shift have proven more influential.

More moderate figures of the new right include Ali Kamel, executive producer of Globo's *Jornal Nacional* and a frequent contributor to Globo's daily newspaper. Kamel has been an influential critic of expanding racial preference programs in Brazilian universities and elsewhere. Denis Lerrer Rosenfield, a philosophy professor at the Universidade Federal do Rio Grande do Sul, has dedicated much of his recent career to denouncing the MST's revolutionary rhetoric and its strategy of land invasions. Demétrio Magnoli, a geographer at the University of São Paulo and frequent contributor to the *Folha de São Paulo*, has joined Kamel in criticism of compensatory race-based government programs. These figures criticize identity politics and the incorporation of identity-based civil-society organizations into the PT and, by extension, into the workings of the federal government.

This loose network of writers poses an intellectual challenge to the Brazilian left's current pre-eminence, but not an electoral one.

to govern with a fractious Congress and also why their legislative agendas were more modest than many hoped: the regional machines are not necessarily ideologically conservative, but they are highly effective at conserving their own power, blunting proposals for thoroughgoing reform through their own mediation.

Cardoso nonetheless overstated the absence of an ideological right, or at least focused his comments too narrowly. There is a Brazilian right, but not in electoral politics. Instead, the right's greatest expression is in the diverse Brazilian media. Inflammatory allegations to the contrary notwithstanding, the Brazilian media are neither lapdogs of the PT nor tools of retrograde oligarchs. These allegations are themselves evidence of the breadth of perspectives available, if not their depth.

The rise of Lula and PT to executive power has occasioned the corresponding return of a phenomenon not seen in Brazil since the days of Goulart, an oppositional rightwing media. *Veja* magazine is the only organ that has adopted this position as a consistent editorial line, without identifying itself as rightwing, which is the kiss of death in the Brazilian market. But other major organs, including the *Folha de São Paulo*, a paper strongly linked to the push for redemocratization, have also provided space for voices of the new right.

Representatives of the new right cannot be considered an alliance — there are too many disagreements among them. But they share identifying characteristics: they are self-consciously erudite and urbane in their cultural references, they eschew any ties with the "old right" of the regional political machines, and they denounce in particular the overlapping of state power, progressive ideology and patronage. As such, they have become a considerable thorn in Lula's side.

Foremost in that regard is Diogo Mainardi, a sarcastic columnist for *Veja*. Although he identifies himself as a humorist, his political columns have served as a rallying cry for the PT's opponents.

Below: Azevedo, a fellow columnist at *Veja* and a blowhard of the

the wake of the mensalão, however, points to an important counter-trend signaling that the rise of the left may already have hit its high watermark.

On balance

In the late 1990s Luis Carlos Bresser Pereira, Sarney's former finance minister, argued that Cardoso's administration was not really social-democratic, but social-liberal.¹⁴ In his approving analysis, this meant that Cardoso was committed both to liberalization of trade and to redistributive social programs. Bresser Pereira, expressing the consensus of the moment, suggested that there was little alternative to this path, and Lula's continuation of Cardoso's macroeconomic strategy and his major social programs seem to endorse that understanding. But to describe either Cardoso or Lula's administration merely as social-liberal would be to overlook the persistence of the regional machines. In this regard, both recent administrations can be described as social-liberal in their ideology, but operating physiologically, through the regional machines, in their strategy. The internal contradictions of this necessarily inelegant description capture the tensions of redemocratizing Brazil.

The general continuity in policies between the Cardoso and Lula administrations does not mean that they are roughly the same. The mensalão, despite its use of traditional means, constituted something substantially new – the attempt to use bribery to create a fictive representative democracy masking the growing control of a single party over the machinery of the state. Exposure of the mensalão beat back this threat, but only temporarily. A more secure defense against it will require the continued strengthening of institutions that are not subject to the tides of party politics.

The Washington Consensus appears to have entered its decline, and the social liberalism enacted through physiological tactics produced when that consensus was mapped onto longstanding features of the Brazilian political landscape may go with it. But this odd

example. Instead, the PSOL originated with its founders' defense of the pension system for government employees created by Vargas and expanded by the dictatorship, an entitlement program accruing to a relatively small but politically powerful segment of the population. The PSOL's rhetoric responds to the decline of the Washington Consensus, but the policies it advocates have been designed to appease entrenched interest groups.

The combination of emphasis on growing global trade, moderate social reforms and negotiation with regional political machines is not what opponents of the dictatorship had in mind as they planned their strategies for redemocratization in the 1970s. But for all its shortcomings, it has made some notable achievements: while inequality remains a defining characteristic of Brazilian life, the combination of economic growth and improved social spending has pulled millions above the poverty line. And Brazilians have, in fits and starts, begun to strengthen their ability to demand accountability from elected officials.

In consequence, the leftward turn that has characterized Latin American politics early in the twenty-first century has been both more profound and less disruptive in Brazil than in neighbors such as Venezuela, Bolivia and Ecuador. The turbulence of gradual redemocratization over the course of the 1980s created an inclusive political arena. Divisions between the factions competing for primacy in this arena are real and deeply felt, but not as extreme as those in neighboring countries, where the steps taken towards full political inclusion have come more recently, and more contentiously.