Brazil @openDemocracy
(2005-15)

Fragments of Brazil's recent political history

Arthur Ituassu

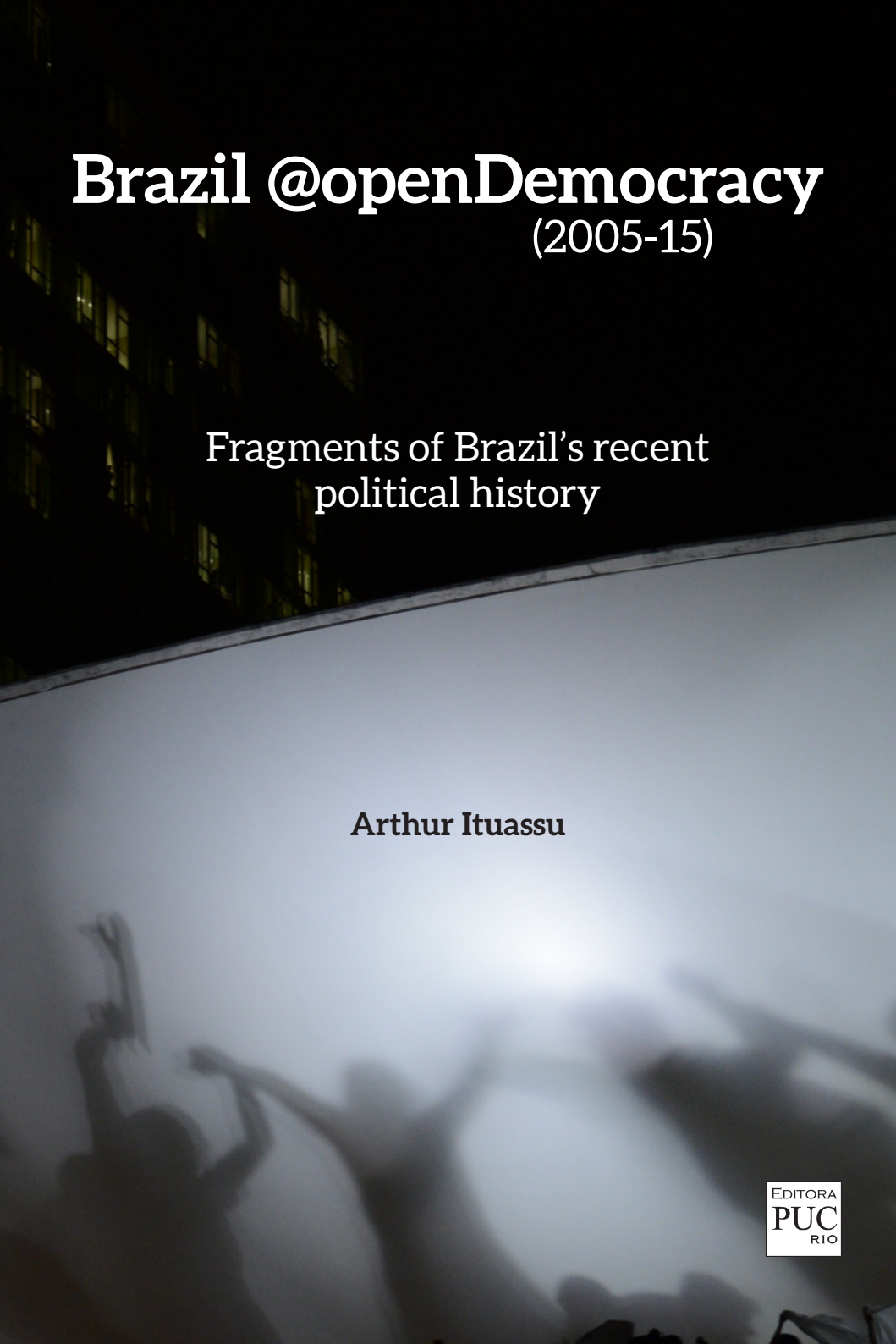

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Foto da capa (detalhe)
Marcello Casal Jr/ Agência Brasil (Creative Commons 3.0)

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Brazil @openDemocracy (2005-2015) [recurso eletrônico] : fragaments of Brazil's recent political history / Arthur Ituassu . – Rio de Janeiro : Ed. PUC-Rio , 2016.
1 recurso eletrônico (167 p.)

Inclui bibliografia.
ISBN (o: 978-85-8006-192-5

1. Democracia - Brasil. 2. Brasil – Política e Governo. 3. Brasil – História – Séc. XXI. I. Título.

CDD: 320.981

Summary

Introduction

A lot can change in 10 years: or, at least, a lot can happen in 10 years. And no doubt about it, the 10 years from 2005 to 2015 were politically intense in Brazil.

We had, in this period, times of prosperity and recession, democracy and a series of major corruption scandals, elections, popular manifestations and a bitter power battle between the two political parties that have held sway since the redemocratization: the Worker's Party (PT - Partido dos Trabalhadores) and the social-democrats around PSDB (Partido da Social Democracia Brasileira), who have fought over the country's last four presidential elections.

What the reader has in his/her hands here is a series of articles about Brazilian politics written for the London-based website openDemocracy (www.opendemocracy.net) between the years 2005 and 2015. As the subtitle of this book says, these are fragments of Brazilian recent political history, and, more importantly, fragments of Brazil's restored democratic path, recommenced in the middle of the 1980s after two decades of a military regime.

In this context, my hope for this volume is less that it will provide a commentary on the complex dynamics of Brazilian democracy, and more that it will strengthen the conviction that, despite some setbacks, democracy is an inevitable prerequisite for Brazilians if they are to deal with their country's historical injustices.

Arthur Ituassu,
Rio de Janeiro, August 2015

Lula and Brazil: new beginning or dead end?

18 May 2005

The most recent polls on the Brazilian president, Luiz Inácio Lula da Silva, and his government show that ratings are falling – and quickly. In one of them (CNT/Sensus), Lula's approval rating fell from 66% to 60% between February and April while his negative rating rose from 26% to 29%. A 60% popularity is certainly still high but Lula undoubtedly recalls that in January 2003 a staggering 83% of the Brazilian population thought well of him.

Since Lula's election in October 2002, the approval ratings of the government have been worse than those of the president. Government approval has been close to 40% since the beginning of the year and disapproval rose from 13% to 16% in April. In fact, if one asks Brazilians who they are going to vote for in the 2006 presidential election, the chance of hearing a "don't know" is close to 65%, despite the fact that Lula is certainly planning to run again.

For Brazil's political analysts, the game is to work out why discontent with such a charismatic president is growing. Lula is Brazilian democracy's star. With no university degree, the former factory worker was elected in 2002 after three unsuccessful attempts (1989, 1994 and 1998) and more than a decade of challenging military rule (1964-1985) as leader of a labour union, which later transformed itself into the Workers' Party, *Partido dos Trabalhadores* (PT).

There are at least two factors that help us understand what is happening. The first concerns the expectations of the people. With the guiding theme "not afraid to be happy", Lula and the PT came to express the desire for change in Brazilian politics, a mirror for the hopes of the common man and woman. Their platform expressed

the citizen's dreams of a better life: more money, more schools, better health, more security, jobs and justice – nothing less than the transformation of politics (finally) by virtue. The second factor situates the first in the crossroads of history, and concerns the capacity of the Brazilian state as presently organised to fulfil its basic obligations and address the demands of the people.

From 1995 to 2004, four major accounts have determined government expenditure in Brazil: interest rates; pensions; bureaucratic salaries and current spending of the federal (public) sector. Interest rates, for example, have been at the centre of the Brazilian political debate. Last month, impatient with his critics, Lula told people to look for lower interest rates, even though he knew they would only find them outside Brazilian borders. Under the stewardship of Lula's finance minister, Antonio Palocci, interest rates have climbed as high as 19.5% a year (without discounting inflation) and have averaged 14.2% in real terms in the last ten years.

In a way, this is a price Brazilian society pays for stabilising the economy from 1994-2002, when stopping inflation had consequences for public sector finances at all levels. At the time, president Fernando Henrique Cardoso had to reorganise public and private banks, which lived on the fall of the value of money. He also acknowledged some debts that had been hidden (the *esqueletos*). Those actions and others built the basis for stability but also elevated the public debt and consequently the interest rates paid by the Brazilian government.

In this context, there is great public concern about interest rates and a Brazilian federal debt of R$ 727.5 billion (*reais*). The current spending of the federal public sector (which includes even the famous *cafezinho*) reached R$ 2.78 trillions from 1995 to 2004. The salaries of the bureaucracy cost R$ 1.07 trillion and pensions amounted to R$ 1.2 trillion in the same period.

All four accounts add up to R$ 5.78 trillion in the last ten years, six times bigger than the R$ 884 billion invested in health, education, public security and infrastructure all together. In the same period, the public sector investment as a proportion of the federal budget amounted to 0.49% in security, 5.85% in health and 6.67% in education, these

last two thanks to a law that obliges the government to spend a certain amount in both areas.

Even the outlays on pensions and education are far from genuine public expenditure, since only those people who work for the state (including judges and senators) retire on full salaries and government investment in education goes mostly to the federal universities, which are free for the best students of the country who were in general educated in the expensive Brazilian private schools.

In two and a half years, Lula has not touched any of these problems and, since he needed to spend more, he tried recently to raise taxes, which now account in all their levels for 40% of the GDP. Worse, he used a political mechanism that he had condemned for years – the Medida Provisória (provisional measure), an anachronistic device that allows the executive to pass a law without the approval of congress. Brazilian society reacted and the president was forced to retreat.

Lula is now in a dilemma. He is the incarnation of the hope for a happy society: free, prosperous and equal. But the president and his party have always defended the status quo that resulted from the historical process of industrialisation in Brazil, the same process that created a strong economy but also one of the most unequal countries in the world, after Namibia, Lesotho and Sierra Leone.

Historically, Lula always defended laws that protected the workers and took a protectionist approach towards international trade. His party supported state direction of the economy, opposed privatisations and supported the nationalisation of the nuclear and energy sectors. Equally, it favoured the public sector bureaucracy and gave strong support to the federal universities, some of which have bigger budgets than some Brazilian provinces.

In this context, he seems to have not yet decided if he wants to be who he always was or something different. Nobody even knows if he can be something different and even small movements towards difference quickly provoke questions of accountability. But whatever Lula wants, one thing is undeniable: Brazil certainly wants to be different.

A big mess in Brazil

16 June 2005

President Luis Inácio Lula da Silva's chief of staff José Dirceu – one of the most powerful figures in the current Brazilian government – has just delivered his resignation over corruption allegations. Although Dirceu furiously denies the vote-buying allegations that impelled his resignation, Brazil's opposition is delighted and for Lula himself it is surely a black moment.

The resignation follows testimony to a congressional committee on 14 June by Roberto Jefferson, head of a small Labour Party (PTB) that supports Lula in parliamentary votes. Jefferson made the accusation that government officials have paid and have been paying congressmen from other parties to support Lula's policies in the Congress.

A lot of money seems to be involved, and Lula's government was slow to announce an investigation into the affair. Hence, he and his Workers' Party (*Partido dos Trabalhadores*, PT) are now suffering in the opinion polls from the taint of corruption.

The situation is critical. Roberto Jefferson is also saying that he told President Lula about the scandal before it became public knowledge. Jefferson is a very skilled politician who has been in Parliament for twenty-three years and is remembered for his defence of the deeply unpopular former president Fernando Collor de Mello over Collor's impeachment hearings in 1992. Jefferson also claims that Lula's government promised the PTB a substantial sum for the next mayoral elections in 2006.

In one sense, Jefferson represents the discontent of many congressmen with the government, something evident in the election

of Severino Cavalcanti of the Progressive Party (PP) as President of the Chamber of Deputies, a post that tradition would have given to the PT. Cavalcanti is a populist conservative who claims to be against homosexuality and is the leader of the "*baixo clero*" (lower clergy), a group whose support of the president is conditional on Lula giving them more power, money and space to operate.

Lula's political problems, then, were considerable even before the party-finance scandal and the loss of José Dirceu. Governing with an ever-shifting group of small parties is certainly difficult, especially when the parties themselves are survival vehicles for conglomerates of congressmen whose aim is to endure no matter who is in charge. Politicians in Brazil can switch parties freely and alliances are not strong enough to establish groups with a clear ideological position or shared projects.

In addition, there is huge fragmentation in congress and the PT does not have the numbers to govern alone. In the past, people thought that an alliance between PT and PSDB (Fernando Henrique Cardoso's party) would be the solution. But between them they polarised the political spectrum and now both need alliances with smaller parties to govern. The PSDB has teamed up with the Liberal Front Party (PFL), a traditional rural coronel (colonel) organisation.

If, in one sense, polarisation guarantees a division of power and more institutional stability, the trend also makes it harder for the governing party to operate, and invites it to send signals that its policies are for rent. Lula's government is reacting to José Dirceu's departure by saying that, to end corruption, Brazil has to enact the long-expected political reform programme. However, although he may be correct, this will not absolve those guilty of stealing the people's money.

Lula: the dream is over

17 August 2005

President Luiz Inácio Lula da Silva addressed the Brazilian people on the morning of Friday 12 August in a speech transmitted live on radio and TV networks across Brazil. It was three months since the eruption of the worst political crisis in Brazil since the impeachment of one of his predecessors, Fernando Collor de Mello, in 1992.
The event also marked the end of another week of tough news and crushing revelations for a president elected in October 2002 by people – especially Brazil's poor – as an icon of hope, honesty and a better life for themselves and their country. His Partido dos Trabalhadores (Workers' Party, PT) entered government after three failed campaigns (1989, 1994 and 1998), carrying the promise of rule by clean hands that deserved the trust of the electorate.

Lula was never a good speechmaker but he has always known how to talk to people, establishing his authority through simplicity: a former factory worker with no university degree who speaks to the people as one of them. But this was different. In place of the usual confident and powerful personality, Lula appeared weak, tired and most of all ashamed. "I feel betrayed and indignant", he said. "We have to apologise".

Who is the "we" he talked about Lula did not answer, and by doing this he seemed once more to be trying to portray himself as a victim of the cascading corruption scandals that have overwhelmed his administration. But it could have been worse. On the evening of Lula's address, the president was to have dinner with Venezuela's controversial (and military officer) President Hugo Chávez, a visit not scheduled by the Brazilian foreign ministry. The encounter was worrying enough to

many Brazilians, especially those who remember the way that another of Lula's predecessors, João Goulart, radicalised the left and polarised the country before being overthrown in a military coup in 1964. Lula's rhetoric during the extended Brazilian crisis has included accusations of an "elite plot" against him; by meeting Chávez at this particular moment he made a lot of people fear the venezuelanization of the country.

How did Brazil, and Lula, get to this point? What now are the prospects for Brazilian democracy, at least until the November 2006 presidential and legislative elections?

Lula's government has proved itself to be a big castle made of sand. In June 2005, a skilful congressman called Roberto Jefferson, not noted for his honesty, began accusing the Workers' Party of paying congressmen to vote on the government's side in the Brazilian parliament. Jefferson launched his campaign after himself being involved in a corruption scandal, which he claimed was in fact part of a plot orchestrated by José Dirceu, Lula's powerful chief of staff. Indeed, Dirceu was more than Jefferson's main target: he is the political core of Brazil's recent convulsion, around which all its events and personalities seem to spin.

The authority of Lula's government at its inception was represented by a triangular power structure, with the president at the apex and two senior figures at the two vertices: José Dirceu as head of political coordination, and the finance minister Antonio Palocci as head of economic management.

Roberto Jefferson's assault on José Dirceu was classic and deadly. He showed not a single document, but merely invited Brazil's biggest newspaper (*Folha de São Paulo*) and gave it a lengthy, two-part interview. The main item on the charge-sheet was simple: that the PT was paying legislators of other parties a monthly allowance (*mensalão*) in return for their votes, and that the coordinator of the whole plan was none other than José Dirceu.

José Dirceu is a high-profile figure in Brazilian political life, well-known to the country's political class and media for many years. In exile after the coup that deposed Goulart, he trained as a guerrilla

in Cuba, and returned in disguise with a new identity: for years, he did not even reveal his real name to his wife. He was successful in studies and politics, where his Stalinist expertise greatly helped his rise to become Lula's most trusted aide.

Dirceu's guiding mantra was clear to everyone: it does not matter how you do it as long as you do it. By operating according to it, Dirceu became both feared and powerful inside the PT and (after 2002) the government; and it is also how he planned to reach the presidency after Lula's second term expired in 2010.

The press was quick to pursue Jefferson's initial allegations, closely followed by prosecutors. In their wake, a waterfall of new scandals, accusations and stories emerged. Three months on, an entire web of corruption – involving political parties, banks, prostitution and money-laundering – has demolished what was left of the moral authority of the government, the Workers' Party, and Lula himself.

José Dirceu did not long survive Roberto Jefferson's fifteen minutes of fame: he resigned as chief of staff on 16 June, still protesting his innocence, and is now in danger of losing his membership of congress. (Antonio Palocci's reputation, by contrast, grows daily as he and Brazil's macroeconomy remain untouched by the current crisis). But if Dirceu is at the political centre of Brazil's earthquake, an even less salubrious figure – Marcos Valério de Souza, a businessman from the state of Minas Gerais – is at its financial heart.

Marcos Valério de Souza was the man with the money, who bankrolled the entire process after first withdrawing a little more than 50 million reais in loans from two banks (BMG and Banco Rural, where the ex-wife of José Dirceu recently acquired a job); in exchange he provided only the guarantee that his advertisement agency would receive government contracts and funding in the near future.

The money, which is known to have been distributed, perhaps only a small fraction of the total, was given by prominent PT officials – party leader José Genuino, financial director Delúbio Soares, and José Dirceu himself – to members of smaller parties in exchange for political support. The Partido Liberal (PL) of Brazil's vice-president, José Alencar, seems to have been awarded more than 10 million reais to partner Lula in the

2002 campaign; this money was never officially declared, as was true of the similar amount paid in an illegal offshore transaction to Duda Mendonça, the marketing chief of Lula's presidential campaign.

The ethics commission of the Brazilian parliament is investigating at least fourteen congressmen, all of who may lose their mandates. Another list of names is even more feared by congressmen – those present at the lavish parties, complete with prostitutes, hosted by Marcos Valério de Souza in hotels in Brasilia – who will have to face not only justice, but also their wives.

This grave crisis raises two main questions: what is going to happen now, and how did it happen at all?

In the immediate future there are three possibilities. First, Lula and José Alencar could be impeached, which could lead the ultra-conservative speaker of congress Severino Cavalcanti to call early presidential elections. The opposition parties – principally the PSDB of former president Fernando Henrique Cardoso and the PFL (party of the old, rural, conservative coronel elite) – have decided not to press for impeachment; but nobody knows what revelations may yet come to the surface.

Second, Lula may keep the government going until the November 2006 elections before deciding to leave office without attempting to secure a second term. He might spend the next year attempting to separate himself from the Workers' Party and cleaning his name in face of the historical record. The absurd result might be having Lula in the presidency and the PT in opposition – since party dissidents want to expel both José Dirceu and his clan, and the cautious economic policies of Antonio Palocci and colleagues.

Third, Lula could try to win re-election under the flag of a renewed PT, though in doing so he would risk taking to defeat a party trying to breathe again after its most difficult moment. In any case, how the president and his party will respond to their predicament is the core political theme now in Brazil, and even the most optimistic are worried about how a crisis of the presidency itself would influence Brazil's current, relatively stable economic situation.

Behind such calculations, the Brazilian people – watching, discussing,

and worrying over all this every day for three months, and almost not believing in what they see – are asking a deeper question: how their country's governance stooped so low. The Workers' Party and President Lula himself were exactly the ones who were supposed to do politics differently in Brazil. As I have written in an earlier article, Lula was the icon of change, representing the transformation of Brazilian politics by virtue. The one who had been poor and was thought to be the same as the poor; the hope for schools, hospitals, a better life. Three years on, there are no schools, no hospitals and no hope.

Brazil: never the same again

3 October 2005

"That the praise of the wicked is short, and the joy of the hypocrite but for a moment". Using the Book of Job (20:5) as rhetorical weapon was how the ultra-conservative Severino Cavalcanti chose to resign on 22 September his Presidency of the Brazilian Chamber of Deputies, the lower house of the Brazilian congress (*Câmara dos Deputados*). This opened an exciting period in the country's politics which will culminate on 9 October with the second round of the election for the new president of President Lula's governing Partido dos Trabalhadores (Workers' Party/PT).

These eighteen days can be regarded as the logical product of the last seven months of relentless crisis and scandal, when the scale and depth of the corruption of Brazil's political system by money and favours has been exposed in a wealth of unforgiving detail. But they might just also be the moment when the PT came definitively face to face with its historical mission: to change politics in Brazil.

The first sign that something was going wrong in the PT's overall project came in February when the election of Cavalcanti was made possible by a division inside the PT: the governing party – which could theoretically count on a majority in the lower house – had proposed two rival candidates for the speakership, and in the event lost the seat to an unimpressive congressman.

Cavalcanti ruled for 217 days, calling himself the leader of the "low clergy" and attacking homosexuals. The parliamentary political agenda was lost. Meanwhile, he got a job for his son in the state of Pernambuco and a seat for an ally at the board of the powerful Petrobras, the state oil company. After it was proved that he received

money to give a restaurant a licence to work at the House, Cavalcanti resigned his post to avoid being prosecuted by the Congress, which would have prevented him contesting the 2006 election.

Then came the money-for-votes corruption avalanche started in June by the Congressman Roberto Jefferson of the Brazilian Labour Party (Partido Trabalhista Brasileiro - PTB) - whose own parliamentary mandate was repealed in September, and his political rights withdrawn for fifteen years, after a Chamber of Deputies vote. The very figure who had denounced the PT had himself, it was revealed, been giving money to allied parties in exchange for their support of the government. So far, he is the only parliamentary victim of the scandal, but at least three politicians near the top of the PT became embroiled in it. José Dirceu lost his job on 17 June as Lula's chief-of-staff and as the main political figure in the government; he returned to Parliament and is now desperately struggling to keep his mandate. The party's president (José Genuino) and finance director (Delúbio Soares) also resigned and there were even calls for the impeachment of President Lula. Suddenly, for the PT, decades of work building an image of honesty and moral authority in Brazilian politics became sandcastles washed away by a sea of scandal.

Yet the very persistence of the scandals created a chance of redemption. Two major elections in September-October opened up a door for Lula and the PT to start again: one for the presidency of the party and the other for the speakership left vacant by Severino Cavalcanti.

On 28 September, congressman Aldo Rebelo from a small communist party (Partido Comunista do Brasil - PCB), which supports the government, was elected speaker of the lower chamber of the Brazilian Congress, defeating the opposition's rightwing candidate José Tomaz Nonô by fifteen votes. The election required two rounds after the two main candidates were tied at 182 votes in the first round.

The tight contest in a divided house meant that there was no surprise when newspapers across Brazil revealed that the government had offered favours and bribes to ensure its preferred candidate succeeded. Severino Cavalcanti's small Partido Popular (PP), for example, was

given the green light to sack PT members working at menial levels in the ministry of the cities, which the PP controls. The PP also received 950 million reais (R$) – around US$422 m – from the government on the eve of the vote to help it run the ministry and its projects.

In relation to the election for the presidency of the PT the situation is no better. The Campo Majoritário controlled by José Dirceu, José Genoino and Delúbio Soares – the ones most involved in the money-for-votes scandal – won 42% of the votes in the first round on 18 September with a candidate (Ricardo Berzoini) who promised lenient treatment for any members of the party found to have handled undeclared money in earlier political campaigns.

Berzoini remains the strongest candidate for the 9 October second round, even though all other factions of the party are united against the Campo Majoritário. They accuse the group around José Dirceu of manipulating the election and support Raul Pont (former mayor of Porto Alegre) for the presidency.

Lula and theWorkers' Party thus face a difficult political predicament. The government and the party must face an electorate aware of their complaisance over punishment of those guilty of corruption, while attempting to show that they can govern as they have promised all their life: offering better schools and hospitals, justice and security for the people, a programme against poverty and for public benefits. Can it work? All that can be said now is that after 2005, "the more things change the more they stay the same" is not an option in Brazil anymore.

Brazil's gun law: another brick in the wall

23 October 2005

In a small Brazilian city, José Maria da Silva woke up on Sunday 23 October after a hard working week and prepared to observe a compulsory duty. Not to attend church, even on this saint's day, but rather to go to a polling-station and vote "yes" or "no" on a simple question: "Do you think the commercial sale of firearms and munitions should be prohibited in Brazil?"

As he walked to the polling-station, José Maria da Silva pondered the R$ 470 million (US$215 million) spent by the government to organise the referendum, and wondered to himself: what is the real question the government is asking?

His conclusion could pretty much be that they were being asked whether they were confident that the public apparatus is doing its job in providing public benefits, and one benefit in particular: public security. After all, as Thomas Hobbes realised in his 1651 portrait of an imaginary public order, Leviathan, this is the core principle of living in a modern community organised under a central authority.

Da Silva's answer, Brazilians' answer, was "no". Almost 64% of the 120 million citizens obliged to choose between "yes" or "no" in the referendum voted against the proposed new law banning the sale of firearms. The first such plebiscite in the world – in a country where 36,000 people died by gunfire in 2004 alone – showed no space for progressive politics.

Three major facts influenced the voting and explain why the Brazilians vote like this: 1) The recent corruption scandals involving the Partido dos Trabalhadores (PT) and some leading figures in President Lula's government; 2) The incapacity of the Brazilian public

apparatus to create and guarantee public benefits; and 3) as a result of the first two, the Brazilian people's current lack of faith in politics.

After all, Brazil's government was itself one of the voters' major targets in Sunday's referendum. The current ministry of justice, Márcio Thomaz Bastos, had masterminded the disarmament law (*Estatuto do Desarmamento*) from the start. The law was approved by congress in December 2003 and would, once ratified by popular vote, enforce the prohibition of selling guns and munitions in the country.

"It turned out to be a plebiscite about the government and its public security policies", said Raul Jungmann, a congressman from a socialist party (PPS) who led the "yes" campaign.

No surprise that the major newspaper *Folha de São Paulo* published on its front page on the referendum-day an opinion poll showing the popularity of the president Luiz Inácio Lula da Silva falling fast: 13% of people completely disapproved of the government in December 2004; the number now, one year and a half later, is almost 30%. A referendum where the citizen is obliged to vote, coming three years into a mandate spent fighting big political fires and in the wake of a systemic corruption crisis had all the ingredients of disaster. Instead of a serious discussion about a major social issue, there was a massive protest.

At the same time, the plebiscite starkly reveals how public money is typically managed in Brazil. The ministry of justice's official data shows that only 5.5% of the money previously allocated for the national fund for public security – R$ 23 million out of the R$ 412 million available – was spent from January to October 2005; yet the government spent R$ 270 million in organising the referendum and will deduct R$ 200 million from the taxes due to be paid by the TV networks for broadcasting the "yes" and "no" campaigns' advertisements.

When José Maria da Silva is asked to trust the public apparatus in a country whose current spending, salaries, unequal pension system and interest rates cost six times more than all the money invested in education, health, public security and infrastructure, his answer is short and straight: *não*.

Farewell José, farewell 2005

5 December 2005

"THIS HOUSE IS JUDGING ME, BUT IT IS ALSO JUDGING ITSELF". The year-long political thunderstorm in Brazil was symbolically closed in 30 November 2005 when the congressman José Dirceu de Oliveira e Silva – architect of President Luis Inácio Lula da Silva's rise to power and for more than two decades his most powerful adviser – made his farewell to politics after being judged guilty of "breaching parliamentary decorum".

By voting 293-192 against him, the Brazilian congress withdrew Dirceu's mandate and right to stand for election for ten years; he will be 69 years old before he is able to attempt a comeback. Dirceu's defiant last words – proclaiming his innocence of involvement in the corrupt system of *mensalão* (vote-buying) and illegal campaign finance, whose exposure has dominated Brazilian politics in 2005 – were enshrined across newspaper headlines as if someone had died, and instantly became part of modern Brazilian history.

José Dirceu is not just any congressman. He is the mastermind of the political generation that came to power in Brasília with the election of Luis Inácio Lula da Silva in October 2002. More even than that, he has been at the centre of Brazilian politics, and particularly its left wing, for the last forty years.

He was born in 1946 in the small city of small city of Passa-Quatro in Minas Gerais state, and – like hundreds of thousands of Brazilians, especially from the poor northeast of the country – moved to São Paulo in 1961 to work and study. In April 1964, a military coup overthrew the presidency of João Goulart, and a two-decade period of military rule and intense repression began. In 1966, Dirceu

began a short professional career as a lawyer, and a much longer one as a political activist by joining a student's association called União Estadual dos Estudantes de São Paulo (UEE-SP); by 1967, he had become the leader of this group.

These years – *os anos de chumbo* – were dangerous for radicals and dissidents in Brazil. Dirceu was already travelling through stormy weather. In 1968 he was arrested at a meeting of the União Nacional dos Estudantes (UNE). By contrast with many of his leftist contemporaries who were assassinated or "disappeared" as well as tortured, José Dirceu was lucky to spend only a year in prison before finding an escape route: he was among the group of fifteen political prisoners exchanged for Charles Elbrick, the American ambassador kidnapped by the guerrillas of the Movimento Revolucionário 8 de Outubro (MR-8) on 4 September 1969.

Dirceu found safety in Cuba, where he worked and studied until 1975. In that year, he secretly returned to live in Cruzeiro do Oeste, a small city in Paraná state – concealing his identity by having plastic surgery performed on his face. He married Clara Becker, who knew him as "Carlos"; they had a child, Zeca, in 1978, currently mayor of Cruzeiro do Oeste.

Even before the return to civilian rule in 1985, there was a general *anistia* (amnesty) for political prisoners in 1979, with those in exile (who had included musicians like Gilberto Gil and Caetano Veloso) allowed to come back to Brazil as well as freeing those like Dirceu living clandestinely to resume an open political career. Dirceu went to live in São Paulo where he was introduced to Lula by the religious political activist Frei Betto, one of the main leaders of the left catholic movement Teologia da Libertação (theology of liberation).

In 1979, Dirceu was one of the main intellectual influences in the creation of the Partido dos Trabalhadores (Workers' Party, PT), led by the charismatic metal-worker and trade unionist, Lula. Dirceu's guiding influence was reflected in his election as representative at the chamber of São Paulo state in 1987. In 1988, Brazil's transition from military rule was capped by the passing of a new Constitution.

Dirceu was elected to the Brazilian Congress in 1990 where he played an important role in the impeachment process against President Fernando Collor de Mello (removed from office in 1992). He succeeded Lula as president of the PT, and won re-election to the post in four successive polls. But his crowning political achievement is arguably not his own preferment, but his role as architect of Lula's election as president after three consecutive defeats (in 1989 to Collor de Mello, in 1994 and 1998 to Fernando Henrique Cardoso).

After Lula's 2002 victory, José Dirceu secured the powerful role of chief-of-staff of the Brazilian government. In effect, he ran the political side of the Lula presidency, while the fiscally responsible (even conservative) finance minister Antonio Palocci ran its economic programme. For two and a half years since the government's inauguration in January 2003, this "triangle" of power held together. Dirceu's sacking from his government post on 16 June 2005 – when it seemed that he too had been tainted by the corruption scandals engulfing Brazil's politicians – made clear that with all the problems in Dirceu's vertex of the triangle of power, the government could not deal with the most important issues of contemporary Brazilian society.

Dirceu's fall began in February 2005, when one of his closest aides was exposed on TV asking for money from a man who controlled the federal electronic lottery system in the state of Goiás and wanted to win the bid for controlling also Rio de Janeiro, a much better market.

The situation quickly became worse when Roberto Jefferson, the head of the small populist party the Partido Trabalhista Brasileiro (PTB) – allied to the PT in Brasília – was accused in two corruption scandals involving the state firms Correios and IRB. Jefferson's sense of betrayal led him in June 2005 to reveal that Lula's government and the PT were giving monthly payments to some Congressmen in return for their support. In a deadly accusation, Jefferson fingered Dirceu as the organiser of the whole scheme.

The PTB leader turned from accuser to casualty, losing his party position and his congressional mandate, but he has taken José Dirceu with him – and twelve other congressmen wait to be judged. A series of investigations has uncovered more than 40 million reais (almost

US$20 million) set aside for irregular operations involving Waldomiro Diniz (a Dirceu aide), Delúbio Soares (the PT's finance director), Marcos Valério (a Minas Gerais businessman), as well as banks and other political parties.

José Dirceu's exposure, among several other political casualties from the PT over the mensalão scandal that dominated Brazilian politics for most of 2005, is only one of the main reasons why public support for Lula's government has been buffeted. In this context, a second mandate for Lula in the elections due in October-November 2006 is far from guaranteed.

Since the mid-1990s, when Cardoso's team restored the economy to near-stability after decades of inflation and politically driven market shocks, Brazilian citizens have not expected radical economic changes. What they have been looking for is a national, political project that could address the deep problems of Brazilian society: basic education, public health and security, judicial bureaucracy, extreme inequalities of income, the nature and quality of public spending, and blockages to democratic progress.

Lula's election by a decisive margin did not end the healthy divergences in the country – especially between the Partido dos Trabalhadores and Cardoso's Partido da Social Democracia Brasileira (PSDB) – and these were expected to be part of the normal political argument during Lula's first period in office. But nobody could have predicted that the party that had always proclaimed itself "different" and "clean" would become deluged by corruption scandals.

Many contingent political factors were responsible for depriving José Dirceu of his political career. They include his own arrogance and ambition, and the machinations of his enemies. But the decisive element is that the Brazilian congress itself had to vote the way it did, to avoid its dangerously low levels of credibility and legitimacy among the Brazilian public sinking even further. It's not the house that judged José Dirceu; "it's the people, stupid!"

Lula's flame still burns

26 January 2006

The World Social Forum (WSF) in Caracas ended its first day with a protest demonstration resounding to chanted slogans against empire and war. Many activists in the huge Venezuelan gathering can be forgiven for feeling that the tide of history is with them. The activists hailed the presence at the WSF of two charismatic figures of the moment – the "Bolivarian revolution's" host, Hugo Chávez, and Bolivia's first indigenous president, Evo Morales, fresh from his inauguration on 22 January.

By contrast, they showed no concern that a former hero of the Latin American left was missing from this year's WSF: Brazil's president, Luiz Inácio Lula da Silva. It was Chávez himself who, after meeting Lula and the Argentinean leader Néstor Kirchner in Brasília on 20 January, announced that the Brazilian president would be absent from the WSF for the first time in its six-year history. Even Brazil's foreign ministry only announced Lula's decision hours later. "The president has an important schedule ahead here in Brazil", explained the embarrassed minister Celso Amorim.

Lula may be partially in the shade as more high-profile figures take centre-stage, but Brazil's leadership is as active as ever. Amorim himself is focusing on developments at the World Trade Organisation, especially his G20 initiative; Marco Aurélio Garcia, Lula's aide on foreign affairs, and Darc Costa, former deputy head of Brazil's powerful bank for development, both run the government's political projects for Latin America.

Garcia's touch in Brazilian foreign policy was felt clearly when Lula announced his support for Evo Morales in his recent campaign for

Bolivia's presidency, breaking a well-established Brazilian tradition of non-engagement in other countries' affairs; while it is no secret that Darc Costa is one of "Chávez's men" in Brasília.

Indeed, although Hugo Chávez preceded him as Venezuela's president, the long march to power of Lula and his Workers' Party can be seen as helping to release the political wave that has brought leftwing governments into office across Latin America. His experience in government may have been tarnished by the mensalão corruption scandal that dominated 2005, but the Brazilian president remains a major player on the region's political chessboard and his performance in the November 2006 elections will be crucial to Brazil's neighbours. Lula still harbours ambitions to be the leader of a new, progressive dynamic political trend in the region that can address the problems that plague it: poverty, violence, crime, drugs and political instability.

Such radical political change is both necessary and possible. After several generations of foreign intervention and domination – marked by colonialism, imperialism, cold-war disputes, military dictatorship, and traumatic relationships with international financial institutions – Latin American peoples today have the chance to try to build a region expressing and reflecting their own political desires.

In many ways, this is already happening: in different ways, Lula, Chávez, Kirchner and Morales are clearly articulating a regional political platform that seeks a continent-wide relevance. Their rhetoric as much as their meetings seems to recognise that cooperation, dialogue – and a degree of competition over "which" model is the best – rather than national politics alone is the way forward.

The recent summits are a case in point. In Brasília, Hugo Chávez announced a plan agreed with Brazil and Argentina to construct an 8,000-kilometre gas pipeline to connect the region's energy suppliers and consumers. In La Paz for Evo Morales's inauguration, Lula asked the new Bolivian president if he would send his government's plan for Bolivia to his fellow leaders in the region, so that they could provide support and advice in implementing it amid the difficult circumstance Evo inherits.

However, the mood of political partnership and solidarity is shadowed by two interrelated questions, the answers to which will help define Latin America's political development in 2006: 1) Can the leftwing governments (especially in the largest and most populous state, Brazil) establish themselves within their own societies?; 2) Can they articulate regional platforms that meet the real needs of the continent's population as well as its nation-states' urge to retain their autonomy, independence, sovereignty or "self-identity"?

The immense social inequalities and polarisations in Latin American countries present a major challenge to progressive governments. They constitute a historical legacy that today demands in response something fundamental to a democratic polity: the constitution of a common space, of a political life in community, of identical subjects in rights, duties and opportunities.

The essential requirements for creating it are not pipelines, airports or nuclear plants, but a regional plan to spread free basic education, health care, access to justice and public security. Lula's political ambitions are undiminished, and his political trajectory unfinished, but one lesson of his three years in power is already apparent: if Latin America's leaders fail to deliver, their people will – sooner or later – punish them.

Lula in London

8 March 2006

When Brazilian president Luiz Inácio Lula da Silva toured the Tropicália exposition at London's Barbican Centre during his state visit to Britain on 7-9 March 2006, he may well have recalled part of the song named for the cultural movement that changed his country in the late 1960s: "I run the movement, I guide the carnival, I open up the monument".

Tropicália was a passionate and articulate response to the military regime of the time – which quickly cracked down on the movement, arresting (among other key figures) the musician Gilberto Gil. At Lula's side as he toured Tropicália was Gil, now minister of culture.

As several British newspapers pointed out on the eve of his trip, Lula has nowadays many reasons to feel proud of his political performance. For almost two years, he has been hobbled by a series of corruption scandals that mocked the image of purity that his Partido dos Trabalhadores (Workers' Party / PT) had preached since it was fighting military rule in the 1980s. Now, with just seven months until the presidential election in October, Lula is doing well again in the opinion polls. And the PT's most strong opponent, former president Fernando Henrique Cardoso's Partido Social Democrata Brasileiro (Brazilian Social Democratic Party / PSDB), has been embroiled in an internal dispute and has not yet decided who will run against Lula.

The numbers in São Paulo are representative of Lula's current strength, since both of the PSDB's candidates are paulistas. While José Serra is running the city, Geraldo Alckmin is the state governor. The most recent poll in São Paulo indicates that neither of the two Social Democrats would defeat Lula today, countering perceptions that the

president's popularity was growing only in poor regions of the country – particularly in the Northeast, where support for Lula seems to be very strong.

Confident and far from PSDB's internal conflicts, Lula can use the luxury of being in London to gain more political ammunition for the election battle. Two big issues are the main focus of his British visit: agriculture and ethanol. Both can help him be re-elected.

"Britain is the most important partner for us in the agriculture business", said a Brazilian diplomat, who asked not to be identified. "London is also not happy with the common agricultural policy of the European Union, which benefits mostly the French."

It is natural, then, that Brazil's foreign minister, Celso Amorim, has been invited to speak at the London School of Economics on 10 March about commerce and agriculture liberalisation. His ministry, the Itamaraty, is not hiding anyone that still has hope for the Doha round of World Trade Organisation (WTO) negotiations on lowering trade barriers.

Also on 10 March, London will host a crucial gathering of one of the WTO's many sub-groups, the Group of Six (the United States, the European Union, India, Japan, Australia, as well as Brazil itself) to discuss the Doha round and seek ways forward. Meanwhile, Lula will certainly try to persuade British premier Tony Blair to support a heads-of-government meeting before the WTO's next round of talks expires. The American trade representative, Rob Portman, has already told Brazilian diplomats that President George W Bush is "100% ready" for Lula's initiative. If Lula wins something in the historically unfair commercial and agriculture environment, he would surely use it in the election campaign.

Concerning ethanol, Lula presented the issue himself in a newspaper article on the opening day of his visit. He wrote: "In the search for new, sustainable economic models, the international community is coming to recognise the need for a radical rethink in relation to the generation of energy, and Brazil is responding by using clean, renewable, alternative energy sources to an ever-greater extent. [...] The ethanol Brazil produces from sugar cane is attracting worldwide

interest, for it is one of the cheapest and most dependable types of fuel derived from renewable sources" (see "Join Brazil in planting oil", The Guardian, 7 March 2006).

In London, Brazilian diplomats will be discussing with Britain the possibility of producing ethanol in a joint venture in and with South Africa. This is part of a major economic and political partnership involving India, Brazil and South Africa (the "India, Brazil and South Africa [África do Sul] Dialogue Forum", thus "IBSA" or "IBAS"). The initiative, in which energy diplomacy plays a key part, would give the country a role in the world energy market through exporting ethanol as well as the technology for using it as a day-by-day resource.

Brazil has more than its share of economic and social problems – and has been too slow to improve the lives of its poor through basic education, health care, public security and equal access to justice. But at the end of its first term in office, Lula's government is putting its muscle into diplomacy as a way to consolidate its political platform internationally, differentiating itself from past administrations. It is now a matter of identity.

Brazil's next winning team

27 March 2006

The ashes were still being washed from the streets that staged the Rio de Janeiro carnival when Brazilians' eyes immediately turned to the two big events ahead in 2006: the soccer World Cup in Germany in June-July and the national presidential elections in October. If for the first no Brazilian has any doubt about who is going to win, for the second things are not so sure. President Luiz Inácio Lula da Silva has been maintaining a strong lead in the opinion polls, but three new factors may yet influence his standing and that of the government he leads: 1) The resignation on 28 March of the finance minister Antonio Palocci, after he was accused of involvement in a smear campaign relating to his period as mayor of Ribeirão Preto, a town in São Paulo state – the charges make Palocci an unexpected casualty of the *mensalão* (illegal vote-buying and campaign finance) scandal that dominated Brazilian politics in the second half of 2006, tarnishing Lula's ruling Partido dos Trabalhadores (PT) and precipitating the resignation of several of his senior allies, including long-term aide José Dirceu. Palocci, a figure respected by the international financial community, has been replaced byGuido Mantega, president of the state development bank BNDES, and an advocate of a more interventionist policy stance; 2) The publication of a report about the *mensalão* published on 28 March, written by federal deputy Osmar Serraglio, which – for the first time in an official document – charges that Lula himself was aware of the money-for-votes practice during his Presidency (though there is no suggestion that he took an active part). The report, the result of a congressional inquiry, will be referred to legislators for approval by 11 April; and 3) The selection by the opposition Partido da Social

Democracia Brasileira (PSDB) on 14 March of the candidate who will challenge Lula in the first round of the presidential election on 1 October: Geraldo Alckmin, the governor of São Paulo state.

The three events will impact differently on the political scene. The replacement of Palocci by Mantega, who tends to favour a reduction in interest rates as part of a more flexibile monetary policy, will alter the balance inside the government; the focus on Lula's role in the money-for-votes affair comes at a time when he has recovered his popular appeal after a difficult year; and the nomination of Alckmin poses a challenge to the president and ruling party to define anew their vision of Brazil's future.

The full political significance of the first two events will only become clear in the coming weeks. It is already evident, however, that the resignation of Palocci will be keenly felt. The president has now lost the third part of the "triangle" of power established at the beginning of his term in October 2002, with Lula himself at the apex and Dirceu and Palocci on the vertices; after the powerful José Dirceu and now Antonio Palocci have fallen in the backwash of the corruption scandal, everything is in Lula's hands. It will be a very hard test for him as president and as a politician.

If Lula survives the first two events, the third will help to shape the course of Brazilian politics in the next seven months. The circumstances of Alckmin's selection, and their place in the development of party politics in Brazil during the past generation, help explain why.

The selection of Geraldo Alckmin was the result of three months of party dispute within the PSDB between his supporters and those of the mayor of São Paulo city and favourite for the candidacy, José Serra. Serra had performed better than Alckmin in most opinion surveys, and had the support of the PSDB's senior figures (party president and senator Tasso Gereissati, Minas Gerais's governor Aécio Neves, and former president Fernando Henrique Cardoso); but on 14 March he abandoned the fight, a decision that is being credited to the strong support for Alckmin among the party's supporters. The São Paulo mayor is known as a very aggressive politician who antagonised many inside the PSDB when he waged a campaign to win the party's

nomination in 2002 as Cardoso's two terms as Brazil's president were ending and Lula was rising.

The PSDB's choice of candidate means that a new era in current Brazilian politics is being consolidated, marked by the contest between the two big parties that today operate on the centre-left and the centre-right of the political spectrum. The competition between the Partido dos Trabalhadores (PT) and the Partido da Social Democracia Brasileira (PSDB) in the October election reflects the completion of the transition to "normal" democratic politics in Brazil over the past generation, and makes the political situation in the country now more similar to that in Chile (or at least to what we call and think of as "Chilean") than to that in Venezuela, Bolivia or Peru.

The current developments within party politics in Brazil are rooted in events under the military regime of 1964-1985. After the coup of 1964, the government of the president and general Castello Branco established new rules for Brazilian politics. He dissolved all political parties, cancelled the mandate of some federal and state congressmen (elected by the people) and decided that only congress would be capable of electing the president. Finally, after washing out the politicians that they did not like, the military divided Brazilian politics into two big parties: the Arena (Aliança Renovadora Nacional) and the MDB (Movimento Democrático Brasileiro).

These were the only parties permitted until 1979. During this time, the Arena worked in support of the military regime and the MDB made some kind of "controlled opposition".

In 1974, the political situation started to become critical for the military regime. General Ernesto Geisel became the fourth president (1974-79) under military rule exactly when the milagre econômico (the "miracle" period since 1969 when Brazil's economy had grown by 12% a year) was over and the country was experiencing the first symptoms of very high inflation and an immense external public debt that would hurt Brazilians throughout the 1980s (most acutely in the international debt crisis of 1982).

In the elections of November 1974 for the national congress, the MDB won sixteen seats in the senate, against six for the Arena. In

addition, the opposition gained more than a third of the seats in the lower chamber (Câmara dos Deputados). The Geisel administration attempted (through its minister of justice Armando Falcão) to control the growing role of the MDB in Brazilian politics by proposing a law restricting political reporting and debate in the media. The congress, still controlled by the military, approved what came to be known as the Lei Falcão on 1 July 1976.

However, by the mid-1970s the forces driving Brazil towards a democratic restoration were gathering strength. This became especially clear after the assassination of the journalist Vladimir Herzog in a military prison in São Paulo in 1975. The military rulers tried to portray it as suicide, but a reborn Brazilian civil society united to campaign for truth over the issue.

Even Geisel himself was forced to acknowledge this trend, and in 1978 he abandoned the AI-5 (the institutional mechanism that the military had created to establish a dictatorship in Brazil), brought back habeas corpus and opened the way to democracy. A year later, he re-established proper party politics in the country.

In the new context, the Arena transformed itself into the Partido Democrático Social (PDS), the MDB became the Partido do Movimento Democrático Brasileiro (PMDB), and new parties entered the political arena – among them the Partido dos Trabalhadores (PT), which became the foundation of four successive presidential campaigns bids by the former metal-worker and trade-union leader, Luís Inácio Lula da Silva.

By the early 1980s, Brazil was in ferment in the expectation of democratisation and the election of the first civilian president since 1964. In 1984, millions of Brazilians took to the streets demanding that the following year's election would be by direct popular mandate (the Diretas Já movement). But congress decided to reserve exclusively to itself the right to choose the president.

The PDS nominated the former governor of São Paulo, Paulo Salim Maluf; against him, Tancredo Neves ran with the support of the PMDB and the recently created Frente Liberal. The Frente Liberal, a formation supported by rightwing dissidents like José Sarney and

former vice-presidents Marco Maciel and Aureliano Chaves, was the seed of the current Partido da Frente Liberal (PFL) which is to the right of the PSDB on the political spectrum.

This democratic but conservative alliance won the day in congress, which chose Tancredo Neves on 15 January 1985 as Brazil's next president. However, Tancredo succumbed to ill-health on the eve of his inauguration, and José Sarney became instead the first president (1985-90) of the new era of Brazilian democratic politics. In 1988, a new constitution re-established fully democratic rule and a direct popular vote for the next presidential election in 1989.

In 1988, a number of leading PMDB members dissatisfied with the party's direction broke away to form a new vehicle seeking to combine economic development with a politics of social justice. Among them were the former governor of São Paulo Mario Covas (the political mentor of Geraldo Alckmin), Fernando Henrique Cardoso, José Serra and Ciro Gomes (minister of national integration in Lula's current government).

The 1989 presidential election saw twenty-one candidates competing for the post, including grandees such as the former governor of Rio de Janeiro and Rio Grande do Sul, Leonel Brizola. Mario Covas was the PSDB's candidate and Lula contested his first presidential election for the PT; but the winner was the rightwinger Fernando Collor de Mello.

Three years of Collor de Mello's dreadful economic management ended with his impeachment and resignation in December 1992 following a corruption scandal. The term in office of his vice-president and replacement, Itamar Franco, ended in 1994 with the country in severe economic crisis. But this year also proved a turning-point: Fernando Henrique Cardoso was appointed to take charge of the *Ministério da Fazenda*, and with his colleagues Gustavo Franco and Pedro Malan implemented the Real plan which finally brought financial stability to Brazil.

The political reward of Cardoso's economic wizardry was to become the "accidental president" (a description he appropriates for the title of his best selling autobiography), winning two consecutive

terms in office (1995-2002) and consolidating the PSDB at the forefront of Brazilian politics.

Lula himself fought three elections during these years – one against Collor (1989) and two against Fernando Henrique Cardoso (1994 and 1998) – which, though unsuccessful, helped the PT to become one of the biggest parties in the country. In opposition, the Partido dos Trabalhadores nurtured its image as a force of hope and change among the Brazilian people (an image that would be severely dented by the corruption scandals of Lula's first term in office).

The fact that the PSDB and the PT did not form any kind of alliance during this period was to prove decisive for the later political evolution of the country. Although many people desired such an accommodation during the Cardoso years, the two parties preferred to remain apart, concentrating on their respective projects, and developing their position as polar rivals across the Brazilian political spectrum. A decade-long democratic era has seen them alternate power at the federal level, learn the virtues of compromise within the democratic system and with the possibilities of social reform, in ways that have avoided testing the limits of the country's institutions (although the changes Cardoso made to allow him to stand for re-election after his first term was not a model of respect for Brazil's political order).

The two parties are different – but only in details. The PT is mostly more "nationalist"; the PSDB is mostly more "internationalist". The PT's foreign policy is more "developing-world biased", but both defend the role of international institutions as a way to a more peaceful world and a larger Brazilian leadership. The PT is less dependent on the financial community; the PSDB is less intimately linked to, and dependent on, the unions and public employees.

Today, however, both value a political and economic stability that aspires to bring Brazil closer to a Chilean ideal rather than the model of revolutionaries like Venezuela's president Hugo Chávez or Bolivia's Evo Morales. This is good for Brazil's institutions as well as for Brazilians themselves.

In this context, the first opinion poll measuring opinion on the Brazilian presidential election after Alckmin's nomination (published

in the newspaper Folha de São Paulo on 19 March) suggested that first-round support for Lula is at 42% against Alckmin's 23%; in third place is the PMDB's possible candidate Anthony Garotinho, with 12%. (Garotinho's numbers are unchanged since June 2005, whereas Alckmin's are up from 15%). In a second-round run-off, Lula would win with 50% against Alckmin's 38%. Not surprisingly, Lula is trying to persuade the PMDB to support his re-election, while Alckmin is inviting the PFL to run with him.

But it is important to recall that the race has just begun, and the effect of Antonio Palocci's downfall and Osmar Serraglio's report will take time to emerge. Meanwhile, with the political polarisation between the PSDB and the PT, the great winner of Brazil's next elections in a new era for democracy is the country'spolitical institutions, a powerful force that can drive development and help politics to contemplate the real needs of the Brazilian people.

Violence in Brazil: all are targets, all are guilty

16 May 2006

At the moment this article is being written, the city of São Paulo is waking up to a fifth day of extreme social tension. During these last four days, people have been shot in the streets, policemen have been attacked inside their apartments, buses were incinerated, and public buildings have been targeted with homemade bombs. The latest statistics tell the story: 115 deaths (twenty-nine policemen, three metropolitan guards, eight prison officers, seventy-one bandits and four … citizens); fifty-three people injured; eighty-seven buses burned; 253 police stations attacked, fifteen bank agencies damaged; 115 suspects arrested.

The attacks, orchestrated by a crime organisation called Primeiro Comando da Capital (PCC), have spread fear through Brazil's largest city and exposed the most serious weakness facing the country in this presidential election year: the lack of a legitimate authority that can guarantee and secure the social and political life of the country.

On the fifth day, the situation seems marginally better. The newspapers are talking about a possible deal. A three-hour meeting has been partially confirmed between two representatives of the government of the state of São Paulo, a lawyer (said to represent the families of 15,000 relatives of the state's prisoners), and eight PCC prisoners themselves (leaders of the crime organization that has brought fear to the paulistas).

The PCC's campaign this week had included a simultaneous rebellion of prisoners in forty state penitentiaries; this came to a halt on 16 May almost immediately after the meeting. It was also at this point that the state secretary responsible for prison issues, Nagashi

Furukawa, announced that he is allowing the installation of sixty TVs in the prisons' common areas that will allow the inmates to watch the soccer World Cup in Germany that starts on 16 June.

A key issue relating to the prison system in Brazil being raised after the raid is the leadership capacity of the PCC inside the prisons. This owes much to one simple and very popular gadget: mobile phones. Images of prisoners talking on mobile phones inside the prisons have been repeatedly broadcasted by the country's large news networks for several years. Neither politicians nor prison officials have been able to address the matter. State governments blame the federal government and the telephone companies; the federal government (as usual where public-security issues are concerned) and the telephone companies say that this is not their problem.

A major financial problem is that public security is a matter of state governments but the funds are not being distributed. As I have written before, the ministry of justice's official data shows that only 5.5% (R$25 million) of the money previously allocated for the national fund for public security was actually spent in 2005 (yet the government spent R$270 million in organising the 2005 gun-law referendum and deducted R$200 million from the taxes to be paid by the TV networks for broadcasting the "yes" and "no" campaigns' advertisements).

This is at last becoming a big issue in Brazil. A research project undertaken in February 2006 by CNT/Sensus found 78% of people expressing the view that public security in the country is deteriorating. They also said that the issue should be a high priority of the politicians and that every level of authority shares responsibility for the problems in this area.

Since the start of these tragic days in São Paulo, Brazil's national congress has started to debate a law that would oblige a defined proportion of public funds to be allocated to public security (as happens in the health and education sectors). However, experience in these areas suggests that a mere guarantee of funding without a designation of social targets or the detailed implementation of programmes only makes it easier to spend money badly.

In education, for example, a study recently published by São Paulo state's federation of commerce found that Brazil is spending today less than the international average at primary and secondary levels (though more than the international average at university level). In health, the money being spent should (in comparative terms) have brought infant mortality in Brazil to half its current level, and extend the people's life expectancy by five years.

The only good news about what happened in São Paulo is that it will ensure that public security will become one of the main issues of the presidential and congressional elections in October 2006. São Paulo state, after all, is the former fiefdom of presidential candidate and principal adversary of Lula in the race, Geraldo Alckmin. It is not long since Alckmin was boasting that his policies had reduced homicides by 43% at state level and 52% at city level between 1999 and 2005.

Now, these days of rage and violence will inevitably provide an opportunity to Lula'a Partido dos Trabalhadores (Workers' Party/ PT) to criticise two party rivals that support Alckmin: Fernando Henrique's Partido da Social Democracia Brasileira (PSDB) and its ally the Partido da Frente Liberal (PFL). Geraldo Alckmin renounced his position as governor of São Paulo state in order to run for president, delivering the position to his vice-governor, Claudio Lembo from the PFL, who is at the forefront of the tragic events.

At the same time, the PSDB and PFL will also try to blame the federal government in Brasilia for the crisis, on the grounds that it is responsible for delays in the construction of new federal prisons, for the lack of resources the affected region can spend, and for the absence of a coordinated strategic plan uniting the Brazilian federation against violence.

Meanwhile, Brazilian citizens themselves expect practical solutions from their bickering politicians – otherwise, and in light of the series of corruption scandals that marked Lula's first term in office, the reputation of politics and politicians will be even more discredited than it is already. It is unnecessary to emphasise how risky a collective disbelief in politics in a large and powerful country such as Brazil can

be. If people become tired of a situation where public authorities at all levels refuse to build their legitimacy by working for the citizens' basic needs, the entire social and political system is corroded. After all, the idea of a powerful central authority legitimating itself on the basis that it can counteract the tendency of perpetual conflict among its subjects was invented in the 17th century, by none other than Thomas Hobbes.

Brazil at the crossroads

14 August 2006

The first big soccer event in Brazil after the disappointing performance of the national team in the World Cup in Germany was the two-leg final (17 and 26 July) of the Brazilian Cup, an important competition at national level, played between two Rio de Janeiro giants – Flamengo and Vasco – at the Maracanã stadium. It was a sobering and revealing return to the country's reality.

In terms of history and respect, the Maracanã is the stadium in Brazil. It was built for Brazil's hosting of the 1950 World Cup and is routinely described as the greatest arena in the world (admittedly in a country where that superlative is a popular favourite).

Today, Maracanã is one national monument that is completely disrespected by the authorities. The seats are dangerous, the entrance is dirty, there is no parking lot or even minimum provosion for food and drink, and an atmosphere of violence is all around.

This combination from time to time produces violent scenes such as those exposed by the Brazilian press after the second cup-final match – including photographs of policemen brutally beating fans at the stadium entrance with their truncheons. The captions read: "the guards try to organise the line".

A police colonel, Álvaro Garcia, openly approved the action and told *O Globo*: "The misbehaviour of the fans is absurd and difficult to control. A lot of people come without a ticket, wanting to steal other people's, and create confusion. There is no way to know who is who. The just pays for sinner."

On the night of the matches, the just also paid for sinner in the streets of Leblon in Rio, as one of the most expensive neighbourhoods

in the city became a stage for vandalism, chaotic noise, and fighting. In the squares of São Paulo too, buses were burned and people were attacked in their homes as the insurgency of the Primeiro Comando da Capital (PCC) gang continues barely abated.

The events at and around the Maracanã highlight the three major issues facing Brazil as the elections scheduled for 1 and 29 October approach (the latter date will see a second-round run-off for the presidential and gubernatorial races if required). A campaign that gains momentum with the launch of radio and TV broadcasts on 15 August must, if it is to facilitate a meaningful dialogue about the country's problems, focus attention on the level of violence, on education, and on the corruption and behaviour of public institutions.

The scale of the election is enormous: almost 126 million Brazilian voters will choose their president, vice-president, twenty-seven state governors and members of assemblies, 513 federal deputies, and twenty-seven members (a third of the total) of the senate. This time, Brazilians will be making a judgment on the way that their politics has been dominated by scandal, lawlessness and disintegration for the previous eighteen months. It is no exaggeration to say that the democratic destiny of the nation is at stake.

The clear favourite for the top job is the incumbent, President Lula, who until now has been successful in distancing himself from the wave of scandal that dominated 2005 and caused the resignation of his leading allies. Two rival candidates are, however, fighting hard to reach the second round: Geraldo Alckmin of the PSDB and Heloísa Helena of the PSOL (a leftist breakaway from Lula's own Workers' Party [PT]).

As the "electronic campaign" gets underway – with election broadcasts by the leading candidates being featured on national TV and radio several times a week – it is becoming clear that the coming months in Brazil will be a test not just of Brazilians' political preferences, but of their belief in politics itself as a possible vehicle of social change. As the title of a recent book I have co-edited asks: O Brasil tem jeito? ("Is there a way for Brazil?").

The three issues named above (violence, education and corruption) will not be the sole matters of concern in the campaign; others such

as economic growth, exports, transport, infrastructure, and taxes will also be prominent.

There is a widespread feeling in Brazil that taxes are too high – almost 40% of national income – and without much to see in return. And even if the size of the state may not be thought important, the quality of public spending must be. The people of Brazil are sorely lacking in public benefits. True, 95% of Brazilian children are at school (80% of them in public ones), but they are not learning; Unesco figures show that the country's expenditure on a primary-school child is fifty-sixth in the world (behind Colombia, Uruguay and Namibia). Brazil has as many illiterate people in its population as those of Portugal and Uruguay combined. The failures in education are paralleled in healthcare and justice; they create an environment that denies both security and equal opportunity to citizens.

But important as they are, it is the "big three" issues that may become a formative influence in the weeks ahead, and for a vital reason: the decisive importance in the next election of the Brazilian middle class. In July, two of Lula's actions showed the electoral power of this group.

First, he decided to veto a law proposing a safety-fund for domestic maids (something that every regular employee in other industries in Brazil has access to), even though it would have cost their middle-class employers only a small amount more. Second, the PT announced that it will included middle-class people in its Fome Zero (zero hunger) programme if Lula wins a second term.

Lula, the working-class president, has always had trouble appealing to Brazil's middle class, and that is where Geraldo Alckmin seeks his opportunity.

A recent opinion poll found that 47.9% planned to vote for Lula, against 19.7% for Alckmin and 9.3% for Heloísa Helena. A combined vote of over 57% for the two "left" candidates, even after all the corruption scandals, is significant. Yet the figures show also that Alckmin has possibilities to appeal to the undecided and the current abstainers; a second-round contest cannot be ruled out.

In any case, the gubernatorial elections will also be vital in establishing the PSDB's power-base. The party will likely keep its hold

of São Paulo state (headed by José Serra) and Minas Gerais (Aécio Neves), while Lula's PT may not succeed in Rio – which would exclude the ruling party from the country's three main states. The PSDB's current fortunes suggest that what used to be called the politics of café com leite (coffee-and-milk) – a trade-off between power at presidential and regional level – may be a viable future strategy for the party of former president, Fernando Henrique Cardoso.

Meanwhile, a renovation of the congress will be a good result. After the innumerable corruption scandals, it is so weakened as the end of Lula's first term nears that the president has suggested an extraordinary constitutional assembly to propose reform. Several websites list the names and pictures of congressmen currently involved in the various scandals (for example, here). The number of new members of congress after the October elections will be one measure of political progress; and as Lula's government was at the centre of scandal during these years, a weaker PT may result and pose problems for Lula's second term.

The political and social convulsions of the past eighteen months make the upcoming elections the most important political moment in Brazil since its return to democracy. The result will clearly indicate the readiness of Brazilian citizens to embrace change, and to see politics as its viable instrument.

The campaign is an opportunity to raise questions that the candidates must not be allowed to evade. Why do many of Brazil's problems remain unchanged? Why are Brazilian citizens constantly disrespected by the way the authorities spend public money? Why are there no free and efficient schools and hospitals? Why is there no security or equal access to justice? Why are a very few Brazilians considered "more" Brazilian than the majority of the population? Is politics to be allowed to degenerate to nothing more than a TV show?

Lula's second wind

31 August 2006

A MONTH BEFORE THE PRESIDENTIAL AND LEGISLATIVE ELECTIONS of October 2006, politics in Brazil is in a bad way. The prevailing atmosphere of cynicism and mistrust is symbolised in recent comments by well-known cultural figures who disparage any talk of ethics in public life. Wagner Tiso, a famous musician, conveys the mood: "I am not worried about any kind of ethics", he said. Paulo Betti, an equally well-known actor, reinforces it: "Politics does not exist without dirty hands. There is no way of doing it without putting your hands in the shit."

If the reputation of politics has ever been lower in Brazil, it is hard to remember when. The supporters of Luis Inácio Lula da Silva, the president elected in October 2002 and seeking a second term in office, are hard at work justifying his record in office. They have an uphill task: the dominant public perception of what has happened during his tenure can be summed up in a single word – scandal.

There are all kinds of scandals: buying votes, bribes, candidates, places, laws, illicit ambulances, anything one can imagine. It is difficult to say how many funds and how many people were, have been and are involved in the series of corruption scandals that have appeared in these four years in Brazil. The casualties include high-profile, senior ministers in Lula's government – long-term aide José Dirceu, and finance minister Antonio Palocci – who were forced to resign after revelations connected with the *mensalão* (money-for-votes) affair that dominated the second half of 2005. But the net goes far wider; in it have been caught congressional members standing for the elections while being investigated by the judiciary for illicit political transactions. The courts have been forced to prevent some of them from running.

It is not surprising, then, that Brazilians are also intensively debating the causes of their country's current political predicament. Their conclusions stretch from blaming the Partido dos Trabalhadores (Workers' Party/PT – the party that provided Lula with his historic opportunity to reach the summit of power after a series of epic campaigns) to identifying the entire "system" as guilty.

On the eve of major elections, however, such arguments are overshadowed by the more important and dangerous consequences of disillusion with politics itself. As the respected Brazilian journalist Miriam Leitão has recently written, the dominant public worry surrounding the coming election is political, not (as it usually is) economic. Brazilians are fearful of the very sustainability of politics in their country.

In this context, it is not yet clear how this factor will influence the outcome of the election campaign that is now underway. But two electoral possibilities are uppermost in Brazilian analysts' minds: the prospect of Lula's re-election, and the weakening of the PT.

The opinion-poll numbers are hopeful for the president. With exactly a month to go, Lula has almost 50% support among those who have declared an intention to vote, something that would probably give him a first-round victory on 1 October. However, his main adversary, Geraldo Alckmin, from the Partido da Social Democracia Brasileira (PSDB – the party of former president Fernando Henrique Cardoso), is still saying that he will contest the second round on 29 October.

The opposition's argument is based on a strategy of attacking Lula directly only in the last weeks before the voting – leaving him little opportunity to defend himself. However, Alckmin's disadvantage in the polls has been consistent throughout the campaign (and has even grown in some), so there is little time for a significant move in his favour.

There are a number of symptoms of the PT's predicament. One was evident when the candidates started their election broadcasts on television: it was noticeable that Lula presented himself to viewers only by suppressing reference to the PT's logo and its history. The symbol of the party that had a proud record of fighting against Brazil's

military regime appeared only once and in very small characters on the screen, while even the president's biography was altered to remove details of his past within the organisation. The party members who had been involved in the latest corruption scandals were also nowhere to be seen at the PT's election rallies.

Besides the presidential dispute, the PT's prospects for the elections are not very good. The party is likely to lose strength in an already very divided Brazilian Congress, and to be defeated in the country's three main states: São Paulo, Rio de Janeiro and Minas Gerais.

But in light of the argument about the discrediting of politics, these factors are only the outward face of a deeper crisis characterised by the political expression of two emotional currents in Brazilian society: a religious one, and what might be called a radical-nationalist revolutionary one.

The first current is centred on a powerful religious group known as "the evangelicals", who aspire to represent the 15% of the Brazilian population describing themselves in this way. The influence of the movement began to work for Lula after the defeat of Rio de Janeiro's former governor Anthony Garotinho in the first round of the 2002 presidential election; this led the evangelicals to ally the movement completely with Lula and the PT, and with considerable success: it is guaranteed at least sixty votes in congress, and its members include Brazil's vice-president José Alencar and Rio's governor (and Anthony Garotinho's wife). The ideological orientation of this group is conservative. It focuses on issues such as abortion, drugs, homosexual rights (and sexual rights more generally), reproductive technologies and stem-cell research; it is also very aggressive in relation to nuclear weapons, interest rates, arms, national firms and energy (perhaps it is no coincidence that José Alencar - who belongs to the PRB, a party controlled by Igreja Universal, an evangelical church - was also defence minister). It would not be a surprise if "the evangelicals" win more political power in the election, at a moment when appeals to trust and conservative values may appear attractive to many voters.

The radical-nationalist revolutionary current was given a boost by Lula's declaration supporting the call for a constitutional assembly

(instead of the congress) to vote on comprehensive political reform. For many people, this was an echo of statements made by Hugo Chávez in Venezuela and (more recently) by Evo Morales in Bolivia. The mixture is explosive: a president elected by a large majority but handicapped in actually governing, alongside a discredited congress and political environment. A "revolutionary" platform of this kind could potentially unite sections of the PT, the fragmented (but nationalist) Partido do Movimento Democrático Brasileiro (PMDB), and the evangelical group.

How will these forces play out in the election? Lula still has major cards in his hand, and a skilful manoeuvre in relation to the divided PMDB could see him establish a new basis of legitimacy. This would involve – after an assumed victory in the polls – taking advantage of the PMDB dispute by strengthening the elements of the party that want to support his presidency; thus allowing him to compensate for a possibly weakened PT and gain more independence from the evangelicals. Lula then consolidates this (left, or at least centre-left) alliance between the PT and the PMDB around a moderate nationalism (progressive in the PT's case, more conservative in the PMDB's). This new alliance could create a new equilibrium with the forces of liberalism in both its more leftwing (PSDB) and more rightwing (the historic farmers' party, the Partido da Frente Liberal [PFL]) variants.

This outcome, involving a bruised PT and a successful Lula strategy of attracting PMDB support, could also pave the way for a future presidential contest between a PMDB candidate and the current Minas Gerais governor, the PSDB's Aécio Neves – grandson of the former president, Tancredo Neves. This would break a long period of São Paulo rule in Brasília.

The consequences of such a polarisation in Brazil between new political blocs would be far-reaching. It would illuminate real political differences, strengthen checks and balances, and fix the possibility of an alternation of power without institutional rupture. It would, therefore, create the political foundation for the country to address the pressing needs of its people: security, education, health, justice, credit and jobs. These, after all, are what elections in democratic countries are supposed to be about.

The green and yellow phoenix

28 September 2006

On Sunday 1 October 2006, more than 120 million Brazilians will head to an electronic ballot box, push some buttons and decide the fate of the country for at least the next four years. They will be choosing their president and vice-president, twenty-seven governors, senators and state assemblies, as well as 513 federal deputies. What should be a party for one of the biggest democracies in the world, ruled by a military regime until 1985, will instead be tinged with sadness.

On the last winds of President Luis Inácio Lula de Silva's first term in office, voices have been raised against the law that obliges Brazilians to vote. More than a few complain about the three-reais ($1.35) charge for not voting. Many citizens still ask who is running for office. Another corruption scandal - this one in Brazil's largest city, São Paulo - is yet one more cloud covering the big blue sky.

Three polls conducted in the past week confirm that Lula is leading the race. On 22 September, the polling institute Datafolha (linked to the newspaper Folha de São Paulo) gave the president 49% of voting intentions, against 31% for Geraldo Alckmin of the Partido da Social Democracia Brasileira (PSDB - ex-president Fernando Henrique Cardoso's party), and 7% for Heloísa Helena (the dissentient leftist who was expelled from Lula's Partido dos Trabalhadores [Workers' Party/PT]. On the same day, a poll from the Ibope institute (linked to the powerful Globo media organisations) found Lula on 47%, Alckmin 33% and Heloísa Helena 8%.

A third poll, by Instituto Sensus on 24 September, had 51.1% going to Lula, 27.5% to Geraldo Alckmin, and 5.7% to Heloísa Helena (who

is standing for the Partido Socialismo e Liberdade [Party of Socialism and Freedom/P-SOL]).

The winning candidate needs over 50% of the (valid) votes cast to win outright in the first round. The poll figures suggest that Lula might achieve that figure, though it is not inconceivable that a tightening of the race in the last few days could ensure a second round on 29 October.

In January 2003, when the former factory worker whom everyone knows as "Lula" reached Brazil's Palácio do Planalto (the presidential residence) - three months after his October 2002 election victory - the country was full of hope. After three failed attempts (1989, 1994 and 1998), Brazil had finally given Lula a chance. The poor nordestino who fought for a decent living and against the military dictatorship was at last in power.

At that time, the debt crisis and the rocketing inflation (1,764.8% in 1989) already belonged to the distant past. The real currency plan and the years of Fernando Henrique Cardoso as finance minister (1993) and president (1994-2002) had inaugurated a new era of economic stability in the country. Cardoso's second period in office, however, was very difficult; by the end it was clear that Brazil needed new blood. Although there was some turbulence during the transition, the result of doubts raised by the markets about how well the leftwing Lula and his PT could manage the economy, this did not disturb the efficient, even friendly political change of guard in 2002.

In the event, the market proved itself wrong in trying to bet against Lula's economic credentials. The new president both preserved stability and diminished poverty. A study by Fundação Getúlio Vargas (a respected economics institute) using data collected by the Instituto Brasileiro de Geografia e Estatística (IBGE, the official Brazilian statistics agency) in 2005 reveals the numbers that are fuelling the president's re-election.

Almost 6 million people were removed from poverty in Brazil in 2005 alone, representing 18.47% of the total (poverty being defined as an income of fewer than 121 reais a month, the amount necessary to buy food containing 2,288 calories). In 2003-05, the rate of decline

was 19.18% (8.6 million people) - the best figure since 1992, although it still leaves 22.7% of Brazilians living in poverty. In addition, the leading measure of income inequality fell by 3.49% from 2003-05, a much better performance than the 1.1% fall in 1993-98.

All of this was achieved without putting macroeconomic stability at risk. It also cost huge amounts of money, paid for by high taxes (now 38% of GDP per year) and interest rates (the world's highest), with the result that growth rates have been low. The problem is that Lula's government did not allocate targeted pre-existing funds for its welfare programmes (such as Bolsa Família), increasing public-sector salaries, and raising the minimum wage (which has had a huge impact on the public-pension system).

The result is clear: public finances in Brazil are on the edge, and do not create any real public benefit for Brazilian society - neither basic education, basic healthcare, equal access to justice nor public security. Violence has exploded in all urban centres - as it did inSão Paulo in May 2006 - and education has got worse. In fact, the number of young people not attending school has grown since 2003.

In short, Lula has managed the economy better than expected but disappointed on the social front. The focus of his spending policies has been direct transfers which, though important in themselves, do not have a transformative nature, as do (for example) investments in equal opportunities and in the provision of universal and efficient public goods.

In addition, the corruption scandals were wholly unexpected. Lula and the PT always presented themselves as a different, clean option in a world of dirty politics and politicians. I've been writing about corruption scandals in Brazil since June 2005 and the problems do not seem to cease; indeed, fresh ones have appeared during the election campaign itself.

On 20 September, for example, Lula's campaign manager Ricardo Berzoini was forced to resign after evidence of his involvement in the payment of 1.75 million reais (US$833,000) for an illegal dossier was exposed. The fact that the dossier targeted alleged impropriety by José Serra - the PSDB candidate for the governorship of São Paulo

state, a close political ally of Geraldo Alckmin, and Lula's main rival in the 2002 presidential contest - only increased speculation about the payment's provenance.

The scandal will also do nothing to help the PT's Aloizio Mercadante, already far behind in the polls, win the São Paulo contest. But its deeper significance is that it reinforces the lesson that many Brazilians had already drawn: after four years in power, the PT has shown itself no different from "the others".

This may not damage the president, who has shown a remarkable facility to distance himself personally from the taint of corruption (despite the serial resignation of his chief aides - José Dirceu, Antonio Palocci, and now Berzoini). But the scandals will probably have consequences for his party in the 1 October elections, especially in the races for congress and the state governorships.

Hence, Lula's life will probably not be easy in a second term, and neither will Brazil's. However, this is a people who have a history of overcoming difficulties - through their creativity, their faith and their strength. Brazil has grown its economy and passed through the time of dictatorships and hyperinflation. After a bitter past of military regime and economic instability, and after Lula's turbulent first term, it is time for the country to remake itself as a political community.

Brazil, let's talk

3 October 2006

The first day of October 2006 will remain in Brazil's political memory for a long time. What had seemed impossible - that Luiz Inácio Lula da Silva could fail to win a decisive first-round victory in the presidential election and be forced to contest a second round on 29 October - became a reality.

At a late stage in the campaign, a fresh corruption scandal involving another "dirty money" transaction and Lula's refusal to join a pre-election TV debate with rival candidates combined to generate serious frustration among some Partido dos Trabalhadores (Workers' Party/ PT) supporters. The consistent evidence of several months' opinion polling came to naught, as Lula's vote fell below the 50%-plus-one of valid ballot-papers required for automatic victory. The president is forced to wait for his crown.

But will he get it at all? Lula may still be the favourite to win, but his victory is no longer assured. At midnight on Sunday 1 October, Brazil's electoral authority announced that Lula had received 48.79% of the valid votes (8% of the total cast were declared invalid), while his main rival Geraldo Alckmin of the Partido da Social Democracia Brasileira (PSDB) had received 41.43%. Most polls had given Alckmin a little below 30%; either they were seriously wrong, or Alckmin's support grew rapidly in the last hours of the campaign.

The other two notable candidates - Heloísa Helena of the leftist Partido Socialismo e Liberdade (Party of Socialism and Freedom/PSOL, a breakaway from the PT) who won 6.85%, and Cristovam Buarque of the PDT, who got 2.67% - were far behind. Indeed, their marginalisation (with some qualification in the case of

the PSOL) has confirmed the theory that current politics in Brazil is a fight for the "middle elector". The logic of theresult is that a "third way" that can challenge the PT-PSDB hegemony is unviable, unless the platform on which it is based becomes centrist enough to compete with the two major, well-established parties.

This interpretation has a negative as well as a positive confirmation: the actions of two of Brazil's historic (even legendary) political formations: the conservative nationalist Partido do Movimento Democrático Brasileiro (PMDB), and the rightwing liberal farmers'Partido da Frente Liberal (PFL). Each refrained from running presidential candidates, and focused their efforts instead on trying to maximise their influence and negotiating power in congress and in Brazil's regional assemblies.

There is, then, no significant political space for new forces between either the PT and the PSDB or the PMDB and the PFL, in areas where they are most active. This combination of centrism and polarisation is one of the big institutional gains for Brazilian politics in recent years, and it makes the situation in Brazil very different from that in (for example) Venezuela and Bolivia.

The distribution of votes is revealing. Lula won in sixteen states, and kept his support among the poor in Brazil's deprived north and northeast; but voters (including trade unionists) in the large urban centres are moving away from him. Alckmin won in eleven states, mostly in the west and in the south (and including Brasilia).

The results were especially interesting in two of Brazil's three most populous states and the country's major electoral colleges: Minas Gerais and Rio de Janeiro.

In Minas Gerias, Lula won with 50.80% of the votes against Alckmin's 40.62% in the national election. At the governor level, the PSDB's Aécio Neves (grandson of former president Tancredo Neves) was re-elected with a historic 77%.

Aécio had recently flirted with Lula in return for Lula's signal of support for the governor's own possible presidential candidacy in 2010. The tentative alliance appeared to be of mutual benefit: for Lula, a division in the PSDB's ranks; for Aécio, an advantage over his party

rival José Serra (who lost to Lula in the 2002 presidential race, and who was elected governor of São Paulo state on 1 October in a decisive victory over the PT's Aloizio Mercadante). In the event, the costs of a partnership that excited commentators prematurely compared to that was compared to Chile's concertación proved too high for Aécio, who would have been forced to leave the PSDB had it been formalised.

The scale of Aécio Neves's victory, set against Alckmin's only 40% in Minas Gerais, has created a feeling that Aécio has to do more for Alckmin to win support for him in the second round. To win Neves's (and Serra's) support, Alckmin is proposing a change in the constitution to prevent a presidential re-election - so opening the way for both to compete for the presidency in 2010. Meanwhile, Minas Gerais and São Paulo together gave Alckmin 19.8 million votes (49.7% of his total), and he won the latter (the state where Lula and his PT were born politically) with 54.34% against Lula's 36.66%.

In Rio de Janeiro state, it is Lula who has the advantage. The president won with 49.18% of the votes against Alckmin's 28.86%; Heloísa Helena's huge support there gave her 17.13%. The PSOL candidate has refused to endorse anyone in the second round, though it is hard to imagine a far-left figure head and her followers backing Geraldo Alckmin.

The result in Rio explains why Sérgio Cabral, the PMDB's candidate for state governor (in an election poised for a second round), is moving towards Lula. This proximity may both help him attract some PT supporters and in turn allow Lula to draw PMDB voters into his fold. But Rio's political destiny is open: the state is currently ruled by a populist-religious coalition, and one of its challengers is a green-conservative alliance campaigning for a judge, Denise Frossard. In his favour, Alckmin has the public support in Rio of the populist former PMDB governors Anthony and Rosinha Garotinho, two bitter enemies of Lula.

These calculations highlight the point that the key variable of power in Brazil at present may be divisions within the PMDB (a party that likes to call itself "the umpire of governance" - a more beautiful expression for seeking always to be close to the winning side). In the

lower house of the Brazilian congress, the Alckmin alliance is ahead of Lula's by 154-97 after the 1 October vote, but the PMDB has eighty-six of the former, making it the biggest single party. In the senate, Lula's coalition is also in trouble: it has only fourteen of the eighty-one seats, against the PMDB's twenty-two, and a combined total of thirty-one for the PSDB and the PFL.

An unpredictable three and a half weeks are in prospect before the 29 October vote. Whatever happens in the interim, 1 October has made possible. After more than a year of dirty corruption scandals, and against all expectations, this historic day has infused Brazilian politics with new life, creating a fresh atmosphere of debate, citizenship and participation. It is still unclear if the leading candidates will now take the opportunity to talk honestly about Brazil's problems. But that is what the people want.

Welcome to politics, Brazil

1 November 2006

Sunday 29 October, 22.55 in Brasília: Luiz Inácio Lula da Silva is re-elected president of Brazil. Lula has defeated Geraldo Alckmin with 58.2 million votes (60.82%), against 37.5 million (39.18%) for his adversary: a second term is assured in a second round of voting. The same day, the governors of Brazil's twenty-seven states are also elected. In this concluding article of a mini-series about the Brazilian election, I would like to do three things: 1) search for the causes of Lula's victory, especially in respect to the corruption scandals that dominated his first term; 2) assess what is at stake in the second term, especially the main issues, forces and names likely to dominate the next four years; 3) argue that the current political situation in the country is marked by a mixture of old problems and new politics.

Lula's political life entered troubled waters in June 2005, when a rightwing congressman Roberto Jefferson accused the president's Partido dos Trabalhadores [Workers' Party/PT] of buying votes in the Brasília parliament. The scheme operated via undeclared payments made each month (thus *mensalão*) to congressmen and some small parties in exchange for political support. The money was laundered through a publicity agency owned by a businessman called Marcos Valério (thus *valerioduto*).

From June 2005 to 29 October 2006, politics in Brazil became an almost one-word song: corruption. In the event, the scandal drew little blood among the political elite, but those it did fell were among the most powerful: those felled included the president's chief aide José Dirceu and the finance minister Antonio Palocci.

Dirceu and Palocci were the two vertices of a triangle of power running Brazil, with Lula at the top. Dirceu was the president's political CEO, while Palocci kept the economy stable, controlling inflation and public spending - with the unfortunate by-product of high interest rates.

The waterfall of scandal and revelation continued until the very eve of the election's first round, when some PT officials close to the president - including his campaign manager Ricardo Berzoini - were caught attempting to buy documents that contained (false) allegations against two of Lula's leading rivals: Geraldo Alckmin, his main challenger for the presidency, and José Serra, the former mayor of São Paulo. Serra had lost to Lula in the 2002 presidential race, and was standing (successfully, as it turned out) for the governorship of São Paulo.

Both Alckmin and José Serra belong to the Partido da Social Democracia Brasileira (PSDB). The party of the former president Fernando Henrique Cardoso is the main adversary today for Lula's PT in Brazilian politics.

The political fallout of the last pre-election scandal was that Lula was forced to contest a second round. What had long seemed unbelievable came true: Alckmin had won himself another month of campaigning - and a couple of TV debates with Lula (who had absented himself from all of them until then, and been bitterly criticised for it).

During the debates, the PSDB candidate tried to press the president into answering questions about the origin of the money used to buy the illegal documents supposedly incriminating him. But Alckmin's campaign was compromised by serious errors, including his alliance with Anthony and Rosângela Garotinho, the religious populists who control Rio de Janeiro state. He also failed to defend himself and his party properly against Lula's attacks on the PSDB's privatisation programme (an inheritance of the Cardoso years).

The result was that Lula won on 29 October by a margin of more than twenty percentage points. There are at least three ways to explain Lula's powerful victory, even after the series of corruption scandals that marked his first term in Brasília: 1) he proved capable of distancing himself from the scandals, and allowing responsibility for them to be assumed by José Dirceu and the PT (and more widely by

parliament and the institutions, with the familiar argument that "it has always been like that"); 2) he was successful in keeping inflation low and under control, enabling him to fund government programmes of direct assistance to the poor (resulting in a reduction in the numbers of poor people in Brazil by around 8 million during his first term); and 3) Lula retained his personal image as the charismatic standard-bearer of the left in Brazil, and proved that it still had potent appeal.

All three elements may be part of the explanation, but the significance of the third should not be underestimated. Lula is a historic figure in Brazilian politics, associated with the struggle against the military regime (1964-85), the "re-democratisation" process that followed, and the fight for the workers and the poor. This profile continued to serve him well when contrasted with Alckmin's Catholic-conservative image, especially in a country where the income of more than half of families is below even minimum-wage levels.

In this context, however, PT leader and Lula's minister Tarso Genro proclaimed: "It is the end of the Palocci era", winning headlines in all major newspapers in Brazil the day after the re-election. The former mayor of Porto Alegre is now one of the PT's strongest figures, and among the current favourites to be the party's nominee for the 2010 presidential elections. His barbed reference to the chief architect of Brazil's economic policy in Lula's first term carries a firm message: "There is no need to focus neurotically on the control of inflation."

Lula himself quickly disowned this view. But Genro has staked out a clear position in the emerging debate over public spending in Brazil. For amid the intense, often sensationalist coverage of the corruption issue, a key outcome of the election is to have consolidated two distinct arguments about how best to run Brazil's public finances. Each argument is represented by leading figures in the PT and the PSDB respectively, though there is no doubt where the political momentum lies.

Tarso Genro believes that there is no need to cut public spending: what is needed is to reduce interest rates and let the economy steam ahead, producing growth (and thus, in time, increasing tax revenues). This will solve two current economic problems: high daily state spending (perhaps more than 20% of Brazil's GDP) on salaries, costs and benefits,

not least on the famous Bolsa Família programme, where 11 million poor families receive money from the government; and very low levels of investment (1.8% of GDP) in health, education and infrastructure.

The problem here is that 8% of Brazil's GDP is spent on paying interest rates on the public debt (and a further 4.5% on savings). This puts added pressure on revenues raised by tax, which amount to around 38% of GDP - yet which do not produce a single public benefit to the whole Brazilian society, neither basic free education nor equal access to justice, health or security.

Dilma Rousseff, Dirceu's successor as Lula's chief-of-staff, shares Genro's view. She opposes cuts in public spending and supports weaker inflation controls. But it is possible to read Genro's emphatic post-election statement as an early claim that he - rather than Roussef - should be the president's chosen candidate in 2010.

Genro's and Rousseff's view is that of the PT in general. It also had wide support in the Partido do Movimento Democrático Brasileiro (PMDB), which controls seven governorates (out of twenty-seven) and eighty-six seats in the lower chamber of the Brazilian congress (out of 513).

The alternative argument is in favour of reductions in taxes and in public spending. It is strongly held inside the PSDB, especially by Alckmin; but it also by allies in the government, such as the current president of the Brazilian central bank, Henrique Meirelles (whom Genro and Rousseff have recently criticised).

At the same time, there are others who seek to take a middle path, albeit with different degrees of emphasis; they include finance minister Guido Mantega, the probable new health minister Ciro Gomes and São Paulo's PSDB governor José Serra.

One thing is certain, the outcome of the contest over economic policy will help to shape Lula's second term and thus his place in history. But even more fundamentally, the president will over the next four years have to adjudicate the defining political contest in Brazil: the one between nationalists and liberals.

Brazil's 2006 election has clarified this double-sided polarisation. Its first aspect is the party system itself, where the political environment

is shaping itself around the PT-PSDB opposition. Its second aspect is a deeper political and intellectual division centring on the question of what the state should do and how should it do it. (The "nationalist" and "liberal" answers to this question are reflected in several fields, such as foreign policy: should Brazil pursue a "third-world" strategy or one close to the major powers?)

There are variants of these respective currents. The PT and the PMDB tend to be nationalist, but the former's adheres to a more "progressive" variety while the latter is more conservative. The PSDB and the Partido da Força Liberal (PFL) are more liberal, but with contrasting leanings to left and right.

But the larger picture here is as significant as the detail. After all the events of the last thirty years in Brazil - the military regime, the process of re-democratisation, the problems of political and economic instability, the Real plan and the victory over hyperinflation - the country is experiencing stable politics again, with clear and different positions being consolidated across the spectrum.

It is useful to remember that Lula's first four years marked the first time since the 1964 military coup when an elected president started and ended his term according to constitutional propriety. Besides, there was in practice no effective constitution during the twenty years of the dictatorship; the first president elected after the dictatorship (Tancredo Neves) died before being able to govern; the second (Fernando Collor de Mello) was impeached; and the third (Fernando Henrique Cardoso) changed the law to permit his re-election. Even José Sarney (1985-90), who was not elected but inherited the presidency after the death of Tancredo Neves, changed the constitution to have one more year in the job.

The polarisation between the PT and the PSDB, and around nationalists and liberals concerning the role of the state, is the great achievement of Brazil's 2006 elections. But every answer raises a fresh question. In the case of Brazil today it is: if politics is an expression of society, how can politics change society?

Political science offers many answers to this question. A persuasive one is "consensus-building": the careful, patient, political gathering of

social consensus around common issues. The evidence of the failure to provide real public benefits to Brazilian citizens is everywhere. This is the shared, tragic predicament of the Brazilian people (as well as of millions of South Americans). Whether these are to be provided by a small or a very large state does not matter. Welcome to politics, Brazil.

Brazil: the moral challenge

18 April 2007

A major survey of Brazil by the Economist has made the country once more the centrepiece of a great national and international debate (see "Land of promise", 12 April 2007). The theme and the framing of the debate both make sense. Brazil is a big country, an increasingly important player in regional politics and global trade, with a hard-working and friendly population, culturally rich, and blessed with vast natural beauty and resources. So, as Brooke Unger - the author of the Economist's special feature - asks: "Why is Brazil not doing a lot better?"

The Economist's survey, though it offers nothing new to Brazilians themselves, presents a clear digest of the current economic and institutional problems. Among them is the absurdly skewed relationship between the cost of Brazil's public authorities and the benefit they provide Brazil's citizens. This mismatch operates at all levels of government - federal, state and municipal - which together account for almost 40% of the country's GDP without guaranteeing even basic health, education, justice or security to millions of citizens.

The difficulties extend to the expensive and corrupt bureaucracy, which blocks individual initiative; the inability of the judicial system (whose buildings in Brasília are the most pharaonic of all) to enforce the law universally and fairly; the routine public inefficiency; and the poor condition of schools in the public sector. All of this is so familiar to Brazilians that it amounts almost to a domestic consensus.

Ask any Brazilian politician what is wrong with the country and they will probably answer "education". True, a system where underpaid schoolteachers who teach children from poor families in dilapidated,

wasteful public schools is a scandal. But the system is wrong in concept: a teacher in this sector earns less than a graduate student in receipt of a state scholarship for a master's degree or a doctorate - and many of the latter can study abroad for all or much of their course and yet receive the same benefits.

A poor - normally black - guy in Brazil cannot even conceive of reaching a level where he can have such an opportunity for himself. How can a country like this not have violence? This is not to justify the outcome, but it certainly explains a lot.

The second consensus was around economics and in particular the real plan. This originated in the failure of the anti-hyperinflation Plano Cruzado, which had been launched in February 1986 under the leadership of the well-known economist Dilson Funaro (finance minister under the presidency of José Sarney). The problem it faced was that at the time, increases in salaries and public finances varied legally according to the inflation rate; this refuelled the inflationary process and politically institutionalised it in Brazilian society. The real plan brought stability to the economy as a major by-product of this second consensus. Its enduring success means that, again, the current political debate in Brazil over the role of the state in the market creates no threat to economic stability.

The key point is that neither consensus appeared "from nowhere"; each emerged from debate, discussion and dialogue within Brazilian society. In 2005, I heard former president Fernando Henrique Cardoso call attention to a very important matter: politicians must talk to the Brazilian people in such a manner that the people can understand their plans and motives.

In this light, the principal problem today becomes not the lack of consensus in Brazilian society about its problems, but the lack of an agenda to discuss how to create it and what should be on it. How to grow the economy is a false question that misses the far larger (and older) issue of how to address Brazil's rigid social hierarchy, which is embedded in Brazilian institutions and denies equal opportunity to Brazilian citizens.

The effect on Brazil's public life is corrosive: millions are left sitting at home, watching the, in effect, only television channel, ingesting

pathetic political propaganda in the months before some election as politicians appear before spectators to project their dreams. It is the opposite of the democratic, public conversation that the country needs.

So the big question is: why does nothing happen to improve matters? An obvious answer is that it is far easier to identify a problem than to solve it. But in fact the second half of this equation needs to be more nuanced. For the immediate challenge that Brazil faces is less to solve these issues - that will take a generation - than to build a consensus on how to solve it. Here, a lesson from history is apposite.

Two major consensuses were created in recent Brazilian political history. The first was around democracy, which was essential to end the military regime that had ruled since the 1964 military coup d'etat. This enabled Brazil to return to the path of political parties, free elections, and alternation of power. Today, this consensus is under pressure in Brazil and the region from a range of factors: corruption scandals, popular religious political platforms, and the ideas of plebiscites and popular authority that dominate political discourse in Venezuela, Bolivia and Ecuador (and which have their longstanding Brazilian versions too). At the same time, although any challenge to democracy is problematic, Brazil's more complex institutional environment compared to its Andean or non-secular friends means that its democracy itself is not in danger.

In this context, Brazilian society and its injustices are a real-world embodiment of a moral debate. For the country as a whole, this is a moral as much as a political challenge.

On 13 April 2007, Hélio José da Silva Ezequiel, black, 25 years old, died when he was on his way home, after visiting his seventh child who had been born in a maternity hospital located where he lives, in the favela of Morro dos Macacos (Monkey's Hill), in Rio de Janeiro. He was mistaken for a drug-dealer by a rival gang that was invading the area. His sister Edna Ezequiel had lost her 13-year-old daughter Alana to a random bullet in the same place, forty-three days before.

Brazil: democracy as balance

15 November 2008

The test of a democracy's health is what happens at levels beneath that of presidents, overseas observers and international media. That at least is one possible conclusion to be drawn from the two-round municipal elections held in Brazil on 5 October and 26 October 2008. When the results were announced by the country's supreme electoral court, it was clear that the contest over Brazil's political direction was as sharp and open at urban as at regional and national levels. The moment revealed a Brazil where the political debate is again polarising around competing platforms, with many indications about the shape of the next presidential vote in 2010.

The military rule that lasted since the coup d'etat of 1964 gave way in the mid-1980s to a democracy that culminated in a new constitution in 1988. Since then, the election of prefeitos and vereadores - mayors and municipal representatives - has signalled the emerging shape of national politics and propelled local candidates to the national stage. In fact, from the election of Fernando Henrique Cardoso in 1995, Brazil's path toward development has been driven by politics as much as by any economic platform; and the opposite poles of the Brazilian political spectrum were again on show in this election.

In the three major state capitals - São Paulo, Rio de Janeiro and Belo Horizonte - the results were decisive for some of the aspiring candidates for the presidency in 2010. In São Paulo, governor José Serra (from the Partido Social Democracia Brasileiro [Brazilian Social Democratic Party / PSDB] - the party of former president Cardoso) emerged from the municipal election stronger than ever. This is because he supported the incumbent mayor of São Paulo, Gilberto Kassab of

the conservative Democratas (DEM, formerly PFL), who won a decisive victory over two of Serra's political rivals: Geraldo Alckmin (who was presidential candidate of the PSDB - over Serra himself - in the 2006 presidential elections), and Marta Suplicy (President Lula's candidate from the Partido dos Trabalhadores [Workers' Party] / PT).

At the same time, another adversary of Serra inside the PSDB - the Minas Gerais governor Aécio Neves - faced his own problems. Marcio Lacerda, his favoured candidate for the state capital Belo Horizonte, ended an inglorious runner-up in the first round; and even his victory in the second did not erase the weakness that had appeared in Neves's main political base. With Alckmin out and Neves vulnerable, Serra is now clearly the leading contender to represent the PSDB in 2010; and his support for Kassab has already set the stage for a campaign alliance with the DEM.

In Rio de Janeiro, the governor Sérgio Cabral (of the nationalist-conservative Partido do Movimento Democratico Brasileiro [Brazilian Democractic Movement Party / PMDB) did Lula a great and much-needed favour. Cabral worked heavily for the PMDB's candidate Eduardo Paes against Fernando Gabeira (of the green party, the PV, running in alliance with the PSDB). Paes won with 50.8% of the votes, against Gabeira's 49.1%. This narrow victory consolidated a pro-Lula political platform in both the state and the capital of Rio de Janeiro. With Paes's election, Cabral also strengthened the PMDB's position in the national government and its alliance with Lula's PT for 2010.

The pattern of these results suggests that the next presidential elections will be organised around the same political dispute that has characterised Brazilian politics at least since Cardoso's first term: the PSDB/DEM vs the PT/PMDB. If the elections were held today, it is probable that Serra would run with a DEM candidate for vice-president against a Lula-favoured candidate (probably Dilma Rousseff) with a PMDB running-mate (governor Sérgio Cabral is now a possibility). The question is whether the still very popular president can ensure his preferred successor's victory.

These political alliances are not as circumstantial as some Brazilians think. In fact they carry a big part of the responsibility for the country's

recent path toward a more sustainable form of development. The PT and the PSDB are the progressives in the Brazilian political arena - against the conservative DEM and PMDB; but the PSDB and the DEM are clearly more "liberal" (in the sense of preferring more market and less state involvement) while the PT and the PMDB are more state-interventionist and nationalist.

Within this polarisation, two very important and new political benefits for the country emerge, which the municipal elections confirm: the constant presence of a strong opposition and a progressive power on both sides of the spectrum (with the PT or PSDB belonging to either category). After the military regime, many Brazilian political analysts dreamed of a PT-PSDB alliance. This is still the great political objective of Minas Gerais's governor Aécio Neves - who is trying, in a very peculiar fashion, to establish the largest possible consensus around his own name (a project that could prove itself to be, in this new Brazil, political suicide).

An earlier alliance of this kind could possibly have changed the country faster, but the process would certainly have been more unstable than what actually happened. At this point, Brazil's political divisions can be seen to have served Brazil's democracy well. Two cheers, then, for checks and balances.

The price of democracy in Brazil

21 May 2009

Brazil's mid-year approaches with the country's poor northeast region being punished by torrential rains whose effects have caused the deaths of at least forty-five people and displaced as many as 400,000. It is a human tragedy for those affected, and a reminder of the continued development challenges in this vast and contrasting land.

At the other side of the ocean the country's peripatetic president, Luis Inácio Lula da Silva, returns from a state visit on 18-20 May 2009 to the People's Republic of China walking tall. On 19 May he signed thirteen trade and finance agreements with his Chinese counterpart Hu Jintao, with further commitments to strengthen ties and create a "closer strategic partnership" that would have "even greater significance in the current complicated international situation".

Between Brazil's local realities and its global reach, the president is now moving towards the end of his second and (unless he follows the example of some neighbouring leaders and seeks to abolish such term-limits) final term of office. The next election will be held on 3 October 2010, which leaves Lula limited time to entrench a national legacy that has so far won wide domestic as well as international acclaim.

How then will Lula's contribution be judged here across the entire canvas of his presidency: in terms of the economic security and prosperity of Brazil's citizens, the influence and prestige of the country in its region and the world, and - not least - the quality of Brazilian democracy?

A provisional assessment might be found via the government's search for reform of a (mostly) respected national institution, the Caderneta de Poupança. The Poupança (as it is widely known) is a traditional

depository fund created by the Brazilian government especially to allow poorer Brazilians to earn some extra (tax-free) money with their savings through access to the financial markets. The fund has a statutory duty to use most of its money to finance affordable housing.

The direct benefits from the fund are usually very modest, as befitting the fact that almost all the savings invested are below 50,000 reais (US$25,000); but their tax-free nature has made the Poupança an attractive option. The way it has operated has changed over time and in accordance with the fluctuations of the Brazilian economy; but since 1994 and the establishment of the Real plan - which stabilised the market amid a period of hyperinflation - the fund has been paying a fixed rate of 6% a year, with an index to the monthly interest-rates paid by the public sector creating the possibility of further gains.

The problem is that interest-rates have been falling in Brazil, and with them the earnings of (for example) the more conservative financial funds. As the Poupança's rate is fixed by law and investment in it does not carry any federal or administrative taxes, it suddenly became very attractive - and not only for the poor. In the current situation, the Poupança is paying a tax-free 7% a year, against a real (and taxable) interest-rate on the public debt of 5.75%.

This situation creates the danger of rising inflationary pressures in a highly indexed economy. It also presents the federal government with possible difficulties in the administration of public debt, in the event that a good part of the financial-markets' resources routinely used to cover the public deficit are drawn to the Poupança.

The economic debate is important, especially at a time of turbulence in the national and international economy (albeit Brazil is in a better place to weather the global financial storm than many countries). But the economic questions are also political ones. In particular: 1) how can a government change the rules of a system that was designed for the poor and (basically) serves the poor, without harming those who are most in need?; and 2) how can a government do this without creating political problems for itself, especially when it faces presidential and legislative elections of 2010 and seeks to ensure the succession?

Two leading figures in Brazil's political and financial class - Guido Mantega, the economy minister, and Henrique Meirelles, president of the central bank - announced on 14 May 2009 a proposal that will now be debated in the Brazilian congress: to impose a tax on savings of up to 50,000 reais at the Poupança with effect from 1 January 2010 (by law, the rules for the fund cannot be changed in mid-term), and to reduce immediately the taxes applied to some conservative financial funds.

Many analysts argue that the Poupança aspect of this package is flawed, on the grounds that it will not solve the issue at hand while also creating a fiscal benefit for the rich in the financial markets. They say that it would be better to address the Poupança's fixed-earning element, which was inherited from the inflationary moment of the 1990s.

These arguments, however, restrict themselves to the economic dimensions of the case. But economics and politics are increasingly intertwined, in Brazil as elsewhere. It is equally important to ask: is or is not the solution proposed by Lula's government a mostly democratic one?

Many recent political debates in Brazil call to my mind the work of the Canadian economist John F. Helliwell on the "price of democracy" and the importance of "social capital" - the latter defined by him as "networks together with shared norms, values and understandings that facilitate cooperation within or among groups".

Helliwell, in an interview for a Brazilian weekly magazine conducted in 2002, said that in a democratic political system, political and economic institutions are "stronger and more transparent" than under an alternative order; and because of that they produce "a benefit most needed for any nation to prosper: social capital. This is a measure of trust that the population has in its country. In a nation with high social capital, people feel safe to buy, bet and invest."

Helliwell went on to say that "democracy is the political system most able to improve people's lives, and because of that it is desirable in any circumstances". However, he also emphasised that democracy alone in no way guarantees that the country will prosper. Rather, "it is a luxury. A benefit which people will pay for".

A study by a Brazilian economist published by Folha de São Paulo in April 2009 exemplifies this perspective. This shows that in between April 2006 and February 2009, Brazil's annual federal spending on the salaries of the bureaucracy grew by 40 billion reais ($20 billion), while the entire cost of the public sector (salaries excluded) rose by 26.7 billion reais ($13.35 billion). In the same period, national investments in infrastructure, healthcare, education, and public security increased by only 14.7 billion reais ($7.35 billion).

These data follow research done at the Brazilian congress which I cited in an earlier article. This calculates that in 1995-2004, the federal government spent 1.07 trillion reais (US$500 billion) on salaries; 2.78 trillionreais ($1.4 trillion dollars) in the public sector, excluding salaries; and only 884 billion reais ($442 billion) on capital investments that in the areas of basic public benefit cited above (health, education, justice and public security among them).

There is no need to be a financial wizard to see that there is something wrong with this balance of expenditure - and that the solution proposed by Lula's government to the Poupança problem is indeed not ideal. But to confine the discussion to these figures omits the issue raised by John F Helliwell: isn't this also part of the "price" of living in a democratic and stable system - one that imposes high political costs on radical institutional ruptures, and forces politicians to think about the political and "social-capital" consequences of their acts?

In fact, it is here that the very best contribution of Luis Inácio Lula da Silva's government since the president's election in 2002 can be seen: in managing and maintaining the political process as something that slowly makes the government work for the people in a democratic way.

This is the indispensable domestic foundation of what many people around the world regard with respect as the modern Brazilian achievement. The patient construction of a prosperous future can be sustained only by the continuation of the process of political democratisation that the country is living day-by-day since the fall of the military regime in 1985 - a process that carries great financial costs,

but is now led by a government responsible in its acts and clear about the need to avoid great convulsions.

This process has indeed been making Brazil's institutions "stronger and more transparent", and forming a measure of trust amongst the population that can be called "social capital". The reality and the context greatly differentiates Brazil from other (and in many respects noisier, and more glamorous to outsiders) political experiences in Latin America. It is perhaps the greatest contribution of Lula's government to have remained on and strengthened this path - one that now reveals the benefits of its and Brazil's political maturity.

There are rains, financial tides and global deals in the affairs of a nation. But many 21st-century Brazilian citizens can truly say: democracy is changing our lives, and for the better.

Brazil's new political identity

2 November 2009

A number of events has projected Brazil into the headlines of international news, besides the traditional stories about violence, natural catastrophes or environmental issues. Behind this news-buzz is a deeper sense of the giant Latin American country as having in some elusive but unmistakable way "arrived" as a global player. The emblematic example of the country's new status is probably the small exchange between two presidents that took place on the sidelines of the "Group of Twenty" (G20) summit in London on 2 April 2009, when Barack Obama called his Brazilian counterpart Luiz Inácio Lula da Silva the "most popular politician on earth". Obama went on to shake hands with Lula, saying: "My man right here. I love this guy".

In foreign policy, the key single incident that probably demonstrated Brazil's changing reputation took place on 21 September 2009, when after three months of exile the ousted president of Honduras, Manuel Zelaya, was found to have returned to the country and been given refuge inside the Brazilian embassy in Tegucigalpa. This initiative by Brazil represented a radical break with the country's traditional opposition to any intervention in a country's internal affairs without strong sanction from the international community.

Brazil will host football's World Cup in 2014, and Rio de Janeiro was on 2 October 2009 named as the victor of the competition to host the Olympic games in 2016. President Lula - whose second term ends after the presidential election of October 2010 - is feted across the world, but unlike other leaders of whom this can be said, he also remains popular at home: more than 70% of Brazilians approve of his performance. This degree of support is underpinned by admiration for

a person who learned to read only when he was 10 years old, worked as a lathe-operator, and lost three presidential elections (in 1989, 1994 and 1998) on his way to the presidency; but it also reflects the way that Lula has become a strong symbol of Brazilian democracy itself.

Brazil has also impressed much of the world with its fast and strong recovery from the effects of the global economic crisis. The Brazilian stock-market is booming (there has been an 130% average increase since the worst moment of the crisis: analysts predict a 5% growth in GDP in 2010; employment levels are again increasing; and Brasília's worries are no longer about recession but concern inflation, interest-rates and rapid currency-appreciation.

As if all this good news were not enough, Brazil's state-controlled oil company Petrobrás is still celebrating the two huge, offshore, deep-water oilfields it discovered in 2008: Tupi and Jupiter. This enormous natural resource - along with the large-scale domestic production of ethanol, and the advanced national technologies available for the use of biodiesel - guarantees the country's future role as a leading global-energy supplier.

For all these reasons and others, many people inside and outside Brazil are with great enthusiasm acclaiming the country as an emerging global leader destined to play an increasingly strong role in the international arena. This view, however, must be balanced by a focus on two major (and connected) challenges that lie ahead of Brasília: 1) the responsibility to build a much more egalitarian society; 2) the temptation to use nationalism abroad to mask internal failures.

The credit for the positive outcomes is shared by others as well as Lula himself. The Real plan - a major programme for economic stabilisation, introduced in 1994 - was the responsibility of Fernando Henrique Cardoso, in his successive roles as Brazil's finance minister (1993-94) and two-term president (1995- 2003). The policies Cardoso implemented in healthcare and basic education, themselves managed by then ministers Paulo Renato de Souza and José Serra, consolidated a structure that made it possible for Lula's approach to prosper. At the same time, Lula's own contribution to and role in Brazil's current relative success is absolutely important. This is especially clear in two

ares: guaranteeing institutional political stability, and strengthening "social politics" within the Brazilian state.

This indeed is the Lula government's very best achievement since his election in 2002: that is, managing and maintaining the political process as something that slowly makes the government work for the people in a democratic way. In the context of Brazil's history of institutional and political instability - and of the wave of major corruption scandals that engulfed the political class (including aides and allies of the president) in 2005 - this is a real advance.

It must be remembered, after all, Brazil returned to full democracy only in 1989, four years after the fall of a military dictatorship that had lasted for two decades. The first president elected in the new era was impeached (Fernando Collor de Mello), and the second changed the constitution so that he could serve another term in office (Fernando Henrique Cardoso).

Lula has resisted the temptation to use the Brazilian constitution as a vehicle to extend his rule to a third term, even though some in Brazil suggested and pressed for that. It is a technique now regrettably being employed by the leaders of many of the region's republics (among them Venezuela, Ecuador, Colombia and Nicaragua; and it triggered the political crisis in Honduras following the overthrow of Manuel Zelaya).

Lula has also implemented important and much-needed social policies that have changed the country. During his period in office, 2 million households received electrical power for the first time; 11 million very poor families began to receive the Bolsa Família minimum-income benefit; the minimum wage grew 45% in real terms (thus benefiting 42 million people); 8 million registered jobs were created; 17 million people were lifted out of poverty; and the income of the poorest 50% of the country grew 32%, twice the increase of the richest 10%.

All this amounts to a process of transformation within a democratic environment. In turn, it generates a political virtuous-cycle that strengthens institutional stability and social capital; maps a course to Brazilian prosperity; and highlights the value of solid institutional checks and balances, a strong opposition role, and a positive alternation of power.

This context greatly differentiates Brazil from other countries in Latin America, including those whose leaders have charted a more self-consciously more "radical" path. In demonstrating that it is possible to redress inherited social and economic injustices by democratic means, it puts Brasília in the political forefront of the region.

Yet, Brazil still faces huge tests, revealed in some of the less human-development indices. The combination of widespread poverty in a very unequal society (the seventh most in the world) and social violence persists. Even in 2009, 64% of households in Brazil do not have electricity and sanitation; only 22% possess the full range of six modern facilities - electricity, telephone, computer, fridge, TV and washing machine (and in Brazil's poorest regions, the north and northeast, these numbers are 8.6% and 8.3%). The educational statistics are equally stark: almost 37% of Brazilians between 18 and 24 years old did not finish high school, and only half of those above 25 had more than eight years of study.

Moreover, the degree of prosperity and of leadership in the international arena that Brazil has achieved brings with it great responsibilities. It is natural to worry here about a degree of "Orwellian" confusion between patriotism and nationalism in today's Brazil; an issue most visible in the ambiguous social and political role of sport. Brazil's rising status has also led to a subtle competition in the Americas between Washington and Brasília (notwithstanding the relationship between the two presidents). There are serious strategic differences over trade, with the United States seeking to clinch as many free-trade agreements in the region as possible and Brazil favouring the expansion of the Mercosul/Mercosur customs union. The rivalry is also exemplified in Brazil's active policy in the Honduras affair; in Venezuela's "entry" to the Brazilian bloc; and in Brazil's leadership of the United Nations mission in Haiti. These are indeed interlinked elements of a broad pattern.

If Brazil is to sustain its upward path, it must prioritise domestic social and economic inequality and avoid any nationalist adventures in the foreign arena. In this light, the goal of building an egalitarian, free and democratic society that respects and works with international institutions is more essential than ever.

Brazil after Lula: left vs left

23 March 2010

As a cooling Rio summer sees the refreshing "March waters" clean the streets of Ipanema and the souls of the cariocas after the carnival, the political season is warming up. Beyond the next big occasion for many Brazilians - the South Africa-hosted football World Cup in June 2010 - lies a series of nation wide elections on 3 October: for the Brazilian congress, state governors and legislatures, and for the presidency itself (where if necessary a second-round run-off will be held on 31 October).

What makes the presidential contest all the more riveting is that for the first time for a generation, one of the great figures of modern Brazilian politics, President Luis Inácio Lula da Silva will not be a candidate. After waging three unsuccessful contests (in 1989, 1994, and 1998), Lula won the presidency in 2002 and has served two terms, which in many ways have transformed Brazil. Now he is leaving the stage, since Brazil's constitutional term-limits forbid a third consecutive period in office; though so successful has Lula been, that his return in 2014 must be at least a possibility. In any event, Brazilians are now faced with a great democratic test in which new figures - albeit in most cases familiar ones in the Brazilian political scene - will emerge to command the stage.

What does this moment reveal about the nature of Brazilian democracy in 2010, and about Lula's own impact and legacy?

The campaign starts officially at the beginning of April 2010. Brazil's leading parties are preparing intensely for the fight, none more so than the two giants: President Lula's Partido dos Trabalhadores (Workers' Party/PT) and the former president Fernando

Henrique Cardoso's Partido da Social Democracia Brasileira (Social Democratic Party/PSDB). Their competition promises to be one of the most intriguing aspects of the election.

The other parties' candidates are already flourishing their own wares and doing their best to attract media attention. A few days after the glamorous performances at Rio's Sambódromo, Marina Silva - Lula's former environment minister, now a senator running for president on the ticket of the Partido Verde(Green Party / PV) - lands in the city's Santos Dumont airport. The choking traffic delays her arrival at the powerful national radio station, CBN, so she tweets to say she is on her way.

In the interview, she declares that her campaign represents a "political realignment" in Brazil, one that could break the polarisation between the PT and the PSDB: "My mission is to show people that we have to build a symphony, to create an orchestra - something that changes our way to produce, consume, and our relationship with nature".

It is an attractive image, which also points to a deeper truth about the coming contest. For Brazil's presidential election of 2010 will in my view rather consolidate the current polarisation in the country's political scene between these two major forces, making them and their leading politicians - and not candidates per se - decisive in the outcome. That is the logic behind the green senator's desire for a different alignment; and the reason why she has no chance of winning.

Moreover, I would argue that this current PT/PSDB standoff is a very positive trend for the Brazilian polity, and one that underpins the country's current economic advance that has received so much worldwide attention and praise. Whoever is victorious after (most likely) a second round on 31 October, there will be overall continuity. The political substance of this continuity is also worth noting: in Brazil today, nobody wants to be "on the right".

A clue to the shape of post-Lula Brazil is that the two certain candidates for the respective major parties have each been close presidential servants. José Serra, the governor of São Paulo who represents the PSDB, is a very experienced politician with a huge

profile in the country's richest state; but he also gained national visibility and power as health minister in Fernando Henrique Cardoso's administration (1994-2002). In 2002, Serra actually won the political fight for succession against other of Cardoso's ministers, but lost to Lula in what was the former lathe-operator's first victory.

For her part, Dilma Rousseff, Lula's chief-of-staff, has never been a candidate in any major election before. Her rise to power was facilitated by the corruption scandals of 2006-07, which engulfed influential PT figures such as José Dirceu (Rousseff's predecessor as chief-of-staff) and Antonio Palocci (Brazil's former finance minister), who otherwise would have been certain candidates for the presidency.

Dilma Rousseff, a distant product (as her name suggests) of the great Bulgarian diaspora that also produced Venezuela's Teodoro Petkoff, has for months been doing her best to accrue the benefits of closeness to an enormous popular incumbent. Indeed, the influential Brazilian polling institute Datafolha measures Lula's approval-rating as the highest recorded for any president in Brazil since 1990, with 73% of Brazilians saying that Lula's government is "good" or "very good". No wonder that Dilma travels around the country with Lula and is often pictured alongside him.

It is already evident, however, that an effort is being made to transform the 2010 election into a comparison of Brazil's two longest administration's since the end of the military dictatorship in 1985: Cardoso's (1994-2002) and Lula's (2002-10). The rhetorical heat hasn't waited for the official campaign to start: the PT's new head, José Eduardo Dutra, said in November 2009 that Brazilians "will compare two projects known to them", while Cardoso retorted that "Lula is passing through an euphoric moment" that leads him "to distort what has happened in my government".

This comparison will play out in coming months, with the (very similar) economic record of the two governments being a key issue. The Cardoso side are bound to argue that context is everything: for it was Cardoso's Real plan that rebalanced the Brazilian economy after decades of chronic instability, and thus left Lula an enviable freedom of governance.

The trend towards a stable political duopoly at the heart of Brazilian democracy is also favoured by the pragmatic character of the country's politics, hegemonic since the restoration of democracy after military dictatorship. These two decades have strengthened the political parties and - even with a popular leader as Lula - diminished the once-dominant "personalising" trend that elevated charisma into a political principle. Indeed, the Brazilian political scientist César Romero Jacob has written that any candidate for the presidency in Brazil must now work in at least four "power-structures": the educated urban middle class, the evangelicals, the populism of the periphery, and the regional oligarchies.

Lula, for example, made an alliance with the evangelicals in choosing José Alencar to be his vice-president. Alencar, from the Partido Republicano Brasileiro (Brazilian Republican Party / PRB), is a conservative politician who has been a vocal critic of same-sex marriage and of homosexuality. The current president, always loved by the Brazilian urban middle class, has won many votes in the periphery and among regional oligarchies (often mediated through the support of politicians with a strong regional base, such as ex-president José Sarney in north and northeast Brazil).

In addition, the success of Lula's social programmes like bolsa família - which distributes a small amount of income to 15 million Brazilian families, and has had a huge progressive impact on their human security - both helps in poverty-reduction and also reinforces local political authorities in very poor regions against traditional oligarchies, thus guaranteeing political support (and votes) for the government on the periphery.

True, this process was started in Cardoso's administration but was consolidated and expanded in Lula's and this will probably work in Dilma Rousseff's favour. In fact, some polls suggest that 40% of those who receive the bolsa família will vote for Dilma Rousseff against 25% who prefer José Serra. In a broad sense, the alliances and strategies that made Lula's election possible in 2002 and 2006 - after three successive defeats - will be behind Dilma Rousseff in 2010.

The PSDB side, without the benefit of incumbency, also seeks to build a coalition for victory. The key figure for the party's political

strategy is Aécio Neves, governor of the state of Minas Gerais. Neves is the grandson of Tancredo Neves, a politician of historic stature strongly linked to the democratisation process in Brazil. Tancredo was elected president by the Brazilian congress in 1985, in the first election after two decades of the military regime, but died before assuming the presidency.

Aécio Neves has served two terms as governor of Minas Gerais, whose voting power is second only to that of São Paulo in Brazil, and retained 70%-plus levels of popularity among the *mineiros*. He has never hidden his desire to be the PSDB candidate in the 2010 election, but as a younger man he has not yet been able to overtake position of Serra, an older and more senior figure, within the party.

This makes the prospect of a joint José Serra-Aécio Neves ticket very attractive to the PSDB, though Neves has yet to be persuaded of the virtues of being a vice-presidential candidate. This partnership could secure a majority of votes in Minas Gerais and heavy support from politicians linked to the powerful governor, and in addition deflect the criticism of those who see Serra as too paulista and rather an arrogant politician.

Some in the PSDB even see opening a glorious path to a sixteen-year political hegemony, with a re-elected Serra in 2014 passing the baton to Neves for two further terms. Brazilians in the Lula era have, after all, learned to dream.

At this early stage, the outcome in 2010 is in the balance. José Serra leads in the polls, though he has lost some ground to Dilma Rousseff: the Datafolha agency gives him 32% support and Dilma 28% (as against 37% for Serra and 23% for Dilma in in December 2009). These emerging great rivals are also not very different from each other in political character: both are centralisers and politicians who value administration skills.

But whatever the election outcome, Brazil's current political map guarantees the existence of a strong opposition and an alternative source of power; it thus strengthens the country's political institutions and political continuity. In general terms, the administrations of Cardoso and Lula were very similar. Both sustained economic stability

and applied policy in social areas that had been completely neglected for decades. Cardoso put more emphasis on healthcare and basic education; Lula on the universities, the bolsa família and infrastructure.

It may be too that the Partido dos Trabalhadores believes more than the Partido da Social Democracia Brasileira in the capacity of the state to solve social and economic problems. The two parties also have somewhat different approaches towards foreign policy, though this too has its limits; both Serra and Cardoso would be considered "liberals" in the United States sense.

Thus the PSDB is most definitely not a party on the "right wing" of Brazilian politics, even if this is what the PT would like it to be. Psdebistas are much more social democrats than conservatives. But it is also true that the need for political alliances has moved the PT from the left to the centre - and kept it there. Within this context, Brazil's party-polarisation both guarantees continuity and makes the centre-left the dominant position in the country. It may seem paradoxical, but this makes the 2010 election more interesting than ever.

Brazil: democracy vs poverty

29 July 2010

Democracy and politics are winning the war against poverty in Brazil. A report published on 22 July 2010 by the Instituto de Pesquisa Econômica Aplicada(IPEA) - Brazil's federal economic-research institute - reveals striking detail on the diminution of poverty in the country. It shows that in the 1995-2008 period, as many as 12.8 million Brazilians escaped *pobreza* (poverty), and 13.1 million more were lifted from a deeper condition of *miséria* (destitution). IPEA defines *pobreza* according to individual earnings of less than 250 reais per month, and *miséria* by earnings below 125 reais per month).

There are other ways to measure the improvement. In 1995, 43.4% of Brazilians were considered poor by IPEA's criteria, and 20.9% were living in destitution; by 2008, the respective numbers had fallen to 28.8% and 10.5%.

In addition, the Gini coefficient for Brazil - which measures economic inequality - fell from 0.64 to 0.54 in the same period (the coefficient deteriorates as gets closer to 1.0). True, income concentration in Brazil remains one of the worst in the world, but the improvement here is significant. IPEA expects that if the trends are found to have continued in the 2009-16 period, *miséria* will be vanquished in Brazil by 2016 and *pobreza* will by then affect only 4% of the population.

But the numbers tell only part of the story. For Brazil's democracy and institutional continuity have been vital in this impressive reduction in the country's economic inequalities. After all, the period researched by IPEA covers two two-term presidencies, those of Fernando Henrique Cardoso (1995-2002) and of Luís Inácio Lula da Silva (2003-08, part of a presidency that will end in January 2011 after the elections of

October 2010). Their administrations, by working constructively during this specific historical period, are responsible for a substantial achievement that has improved the lives of millions of Brazilians.

The emphasis on democracy as an instrument of social progress in Brazil is justified, for the governments of "FHC" and of Lula were the first true democratic governments after the fall of Brazil's twenty-year military dictatorship (1964-85). Fernando Collor de Mello was elected by the people in 1989 in the first democratic election of the new regime, but he was impeached after two years due to corruption scandals; his vice-president and successor Itamar Franco could have only a transitional role, albeit an important one.

The political era that oversaw these immense social and benefits began in effect in February 1994 when Cardoso - as finance minister in Itamar Franco's administration - initiated the Real plan reforms, which crushed an epic inflation-rate that since 1980 had destroyed the value of Brazil's currency. The success of Cardoso's economic policy gave him the momentum to reach the presidency and govern from January 1995.

The results of this era, taken as a whole, demonstrate the complementarity of Cardoso and Lula's governments. FHC's main purpose was to establish a stable economy, where the defeat of inflation was followed by major investments of political will and resources in the public healthcare and basic educational systems; Lula's was to enlarge direct social benefits (most famous, the bolsa família, a minimum-income project that supports millions of Brazilians) in order to create new classes of consumers, and to boost the country's domestic industrial production.

In the first six months of 2010 alone, Lula transferred R$ 7 million to more than 50 million people through the bolsa família. 25% of Brazilians now receive the benefit, which pays families between R$ 22 and R$ 200 a month.

The macro perspective, however, still allows for a more detailed view where some traditional issues of Brazil's economic-development process come into focus. Two points in particular are notable.

First, poverty is being reduced at a faster rate in Brazil's already more "educated" regions. Here, in the south and southeast, poverty

fell by 47.1% and 34.8% respectively; whereas in the northeast, the north and centre, it fell by 28.8%, 14.9% and 12.7% (the figures for destitution are proportionally similar). In fact, the bolsa família's impact in the northeast - historically Brazil's poorest region - accounted for its achieving similar levels of *miséria*-reduction as the south and southeast.

Second, IPEA's research confirms that economic growth alone cannot reduce poverty and destitution. The central part of the country - Brazil's mid-west, where the capital Brasília is located - experienced the fastest annual growth of GDP per capita from 1995-2008: 5,3% per year. At the same time, the region had the second-worst annual record in poverty-reduction: 2,3%, better only than the north's 1.6% per year. This result highlights a very powerful distortion in the Brazilian economic context: namely, the constant and disproportionate growth of the number of public employees and their salaries in relation to the marketised sector.

In 2002-08, for example (according to separate research published in 2009), private-sector salaries grew by 8.7% above the inflation-rate for the period (43.3%); while salaries around Brazil's top public institutions (the presidency, congress and judicial system) grew on average by 74.2%, 28.5% and 79.3% above inflation. In February 2009, the average salary within the presidential apparatus - including all kinds of jobs - was R$ 6,691; in Brazil's private sector, it was R$ 1,154. A major consequences of this situation is the weakening of entrepreneurship among highly educated young people, who prefer the "low work-high payment-very secure" conditions of the public service than to seek adventure and risk in the Brazilian marketplace.

But the results presented by the Instituto de Pesquisa Econômica Aplicada show that Brazil is at least on the right path in terms of poverty-reduction. Moreover, as I have argued before, this trend is unlikely to change irrespective of who will be the winner in the presidential election in October 2010, and assume office as Lula's successor in January 2011.

This "virtuous cycle" is no less than a byproduct of major improvements in the Brazilian political environment since

1989: a "re-democratisation" process, a political and economic stabilisation, and a series of international compromises made by Brazil concerning such sensitive issues as trade, the environment, intellectual property and nuclear proliferation. It is a vivid endorsement of the value-creating, life-enhancing, society-enriching effect of sustained democratic politics.

Brazil, by continuing on this path, will most likely be in a much better shape than in the past to host international visitors during the football World Cup of 2014 and the Olympic games of 2016. Any major problems ahead would seem to lie in the international financial and economic crisis coming from the north.

Brazil's big election: Dilma vs José

14 September 2010

Brazil's nationwide elections on 3 October 2010 will see more than 130 million voters choose a president to succeed Luiz Inácio Lula da Silva, as well as governors, fifty-four (of eighty-one) senators, 513 members of the national legislature, and more than 1,000 state representatives. But this year's election is important for more than its size: for it will be the first since democracy was re-established in Brazil after two decades of military rule (which ended in 1985), and the first time since 1989 that voters will not have Luiz Inácio Lula da Silva as an option to vote for. All in all, this is one of the biggest celebrations of democracy in the world.

But even if Lula is officially out of the contest, the departing two-term president is not out of the game. Very much to the contrary: after eight years in office, with almost 80% of Brazilians rating him as a "good" or "excellent" President Lula's enormous legacy will transcend the particular acts of his government and substantially mark the Brazilian political scene for the next decade and even more.

The first and most direct political manifestation of this legacy is almost certain to be the election of his favoured candidate Dilma Rousseff to the Brazilian presidency. Rousseff, candidate from Lula's Partido dos Trabalhadores (Workers' Party/PT), is in current opinion-polls running twenty points ahead of her main adversary, the experienced José Serra (who represents the Partido da Social Democracia Brasileira (Brazilian Social Democratic Party/PSDB).

Dilma Rousseff's approximately 50%-30% lead over José Serra will, if spoiled or blank votes are excluded, ensure this daughter of a Bulgarian immigrant a first-round victory in what will be the first

election she has ever fought; this, moreover, against a candidate who has been governor of São Paulo; federal representative of São Paulo state in the Brazilian congress; mayor of the city of São Paulo; and successively minister of planning and health in Fernando Henrique Cardoso's government (1995-2002).

The candidate Dilma herself would agree that she owns her (probable) election mainly to Lula's political charisma and promotion. But other factors underlie her candidacy. In particular, a major series of corruption scandals in 2005 led to Lula's enforced sacking of his chief-of-staff José Dirceu and finance minister Antonio Palocci, both of whom were leading figures in the race to succeed him. This created the opportunity for Lula to choose a candidate who could sustain a challenge to the then most likely rival: the popular Minas Gerais governor Aécio Neves, also of the PSDB.

Here, the president's judgment of how politics work in the federal context was perfect. Both before and after the military regime, and within Brazil's modern democratic context, three states - São Paulo, Minas Gerais and Rio Grande do Sul - have historically competed for control of the government in Brasília. Before the coup d'état in 1964, an alliance of Minas Gerais and Rio Grande do Sul had kept São Paulo - the richest and most populous of the three - out of power by for almost thirty years (with the exception of the nine months of Jânio Quadros's presidency in 1961). But after the dictatorship and the transitional government of Itamar Franco, a very powerful politician from Minas Gerais, the paulistas have secured a hold on government for sixteen years, with the consecutive two-term presidencies of Fernando Henrique Cardoso and of Lula himself.

The loss of José Dirceu and Antonio Palocci meant that two strong politicians from São Paulo were unexpectedly out of the running (Dirceu was born in Minas, but his entire political career had been built in São Paulo). In this context, Lula knew that yet another candidate from São Paulo would be likely to provoke a negative nationwide reaction - in part because the paulistas are seen in various Brazilian regions as "ethnocentric" (even where people don't know what this word really means).

The president, given a free choice, nominated Dilma Rousseff - then minister of energy - as his new chief-of-staff and probable successor. In the context of this regional rivalry, Dilma had the inestimable value of having been born in Rio Grande do Sul and raised in Minas Gerais! At the time, she was scarcely known to the Brazilian public, had never contested an election, had little in the way of a political identity - and thus was able to acquire some of Lula's enormous political capital and grow her own under his shadow.

The fact that Dilma Rousseff is a woman both gives her added recognition and links her "novelty" very strongly to Lula's own political identity as a changemaker in Brazil. If she wins, she will become Brazil's first woman president. But, most of all, Dilma was the perfect choice to face the candidate Lula feared the most: Aécio Neves of Minas Gerais. It is not by chance that Dilma has said more than once during this campaign that though her heart is in Rio Grande do Sul, her thoughts come from Minas Gerais.

What happened then within the PSDB made Lula's promotion of Dilma Rousseff seem not merely artful but touched by grace. The party made the huge mistake of deciding its presidential candidate in a closed and elitist meeting in São Paulo, and even more by choosing a paulista (José Serra) against a mineiro (Aécio Neves). The result and the way of reaching it exposed both the paulistas' hegemonic behaviour and the divisions within the PSDB.

In addition, this was a gift from the PSDB to Lula and Dilma, for it allowed them to portray themselves as national and inclusive, and their party adversaries as mainly paulista and privileged. In practical terms, the consequence was that Aécio Neves decided to run for senator and will be easily elected in Minas Gerais (the second largest Brazilian state in the number of voters), but the mineiros will probably vote two-to-one in favour of Rousseff over Serra.

Then too, Serra's campaign became mired in a the same ambiguity about the PSDB's political message that had handicapped it in 2002 and 2006 (when successive paulista candidates, José Serra and Geraldo Alckmin, lost to Lula) - namely, its inability to defend Fernando Henrique Cardoso's record and political legacy to Brazil. Against

the PT's strategy clearly to compare Lula's and FHC'S governments, PSDB aspirants avoid the issue, and fail to champion the latter's major and honourable role importance in Brazil's economic stabilisation.

Lula on his own account has a lot of political support in the poorer regions of Brazil's northeast and north. This is due mainly to his social programmes for these areas, but it's also the case that politicians and voters here are very suspicious of the paulistas'overbearing attitudes - and they could definitely unite around Dilma Rousseff and against José Serra and the PSDB. In fact, it is easy to envisage even the PSDB's candidates across Brazil wishing to be linked more with Lula than with Serra, whose party has practically abandoned him.

Lula's political wisdom and the PSDB's errors will probably ensure both that (via Dilma Rousseff) he wins once more in the 3 October elections, and further deranges the opposition for at least the next few years. It may be for Aécio Neves to start the work over again, though it is far from clear that is what he really wants. Meanwhile, Brazil will be living with a new combination of continuity and change.

Brazil's prospect: consensus vs division

19 October 2010

The unexpected has happened. Before the first-round vote in Brazil's presidential elections on 3 October 2010, some opinion-polls carefully qualified the substantial lead of the favourite Dilma Rousseff by saying that a second-round run-off was still a possibility. But few people really believed it - especially (it seems) Dilma herself and her mentor, for whom she had worked as chief-of-staff, Luiz Inácio Lula da Silva.

No wonder, for Brazil's incumbent president enjoys an approval-rating of almost 80% and had been closely involved in Dilma's campaign; the ruling Partido dos Trabalhadores (Workers' Party/PT) that both figures represent had everything ready for the celebration; and for several months Dilma had been ahead of her main rival José Serra in the polls, usually with more than the 50% support required for a first-round victory.

But there she was: Marina Silva. The candidate of Brazil's Partido Verde (Green Party/PV) - and Lula's former environment minister - saw a burst of support in the last week of the campaign which delivered her 19.6 million votes (19.3% of the total), substantially more than the maximum of 15% the pre-election polls had suggested. Marina's dramatic performance has given her a pivotal position in the frenetic days before the second round is held on 31 October: she has both changed the campaign's political complexion and created an intense competition between Dilma Rousseff and José Serra for the votes of her supporters.

Why, in the end, did Dilma fail to win outright in the first round as so many expected? Four factors contributed to this outcome. First,

at a very late stage in the campaign the president's chosen candidate lost support among the Brazilian lower middle-class and among less educated Brazilians. The contributory factors to this fall included a heavily publicised corruption scandal in Lula's government that directly involved members of Dilma's own staff; and the president's aggressive tone against the opposition and the Brazilian press for highlighting those scandals. Second, Marina Silva benefited from a surge of support from Brazil's women voters and (in particular) evangelicals, with whom she has an affinity. The concerns about Dilma's position on issues of abortion and gay marriage, which were widely spread, contributed to this trend. Third, Serra gained from his growing support in some agricultural regions where there is discontent with the strengthening of Brazil's currency (the real), which damages the country's traditional exports. Fourth, there was a high degree of abstention (sometimes as much as 45%) in some regions of Brazil's north and the northeast, where Dilma Rousseff's support is more weighty than José Serra's. The accumulated result of these trends is that in the last ten days of the campaign, Marina Silva's ratings rose by 5.5 points and José Serra's by 1.7 points - while Dilma Rousseff's fell by 7 points.

Thus when the ballot-papers votes were counted, Dilma Rousseff had 47.6 million votes (46.91%); José Serra had 33.1 million (32.61%), and Marina Silva 19.6 million votes (19.33%). To compound the setback delivered by voters to the government, the opposition won very important state elections in the first round - including the rich states of São Paulo, Minas Gerais, Paraná and Santa Catarina. At the same time, Lula's political coalition made gains within the Brazilian congress and senate.

Indeed, taken as whole it appears that at the overall pattern of legislative results reflected a deliberate political strategy of the wily politician that President Lula remains: namely, to seek to ensure the election of congressmen and senators who could provide ballast to Dilma if and when she became president.

Lula, during his two terms in office, has faced many problems with the opposition - especially in the senate, where he suffered some important defeats. The latter included the vote in 2007 to cancel a

tax (the CPMF) imposed on all financial transactions in the country, whose proceeds were intended to benefit Brazil's public-health care system; Lula's government had budgeted for this tax to raise $20 billion annually. More recently, Lula was obliged in June 2010 to sign an opposition bill that increased all public pensions by 7.7%, incurring an unforeseen additional cost of $1 billion in an election year.

The president, with these experiences in mind, thus focused on a strategy of prioritising the election of a new congress and senate that could work with Dilma Rousseff. In fact, if Dilma does win the second round on 31 October she will have enough votes in both houses even to change Brazil's constitution.

The figures are clear. When the new president and legislature are inaugurated in 2011, the coalition built by Lula will control more than 70% of the votes in both congress and senate. The PT alone will be the biggest single force in congress with eighty-eight seats, leading a majority coalition of 372 out of 513, which also guarantees it a strong position when the speakership is decided. The PT also gained six seats in the senate (from eight to fourteen), making it the second force behind the twenty held by its ally the Partido do Movimento Democrático Brasileiro (PMDB). The PMDB, which supplies Dilma Rousseff's vice-presidential running-mate in her campaign, should thus have a decisive say in electing the speaker of the senate.

In this light, the flaw in Lula's strategy - albeit a big one - has been the unexpected second round, which has also altered the psychological dynamics of the campaign: for while Lula and the PT now worry about the low mood within Rousseff's's campaign, Serra and his Partido da Social Democracia Brasileira (Brazilian Social Democratic Paty/ PSDB) are celebrating a victory after defying the apparently inevitable and keeping the contest alive and fluid.

In addition, Serra has three new forces on his side. The first is the evangelical vote. If Dilma and the PT cannot change the perception in socially conservative Brazil that she supports abortion and gay marriage, this could further damage her campaign. The attempts to defuse the issue are reflected in her new slogan, "Dilma is in favour of life", and emphatic statements that she does not favour abortion.

The second force that can help Serra is Aécio Neves, the former governor of Minas Gerais (the second largest Brazilian state in votes after São Paulo). This powerful politician from the PSDB has just scored a double victory: he has been elected to the senate, and saw his candidate Antonio Anastasia chosen as his successor as governor over Lula's Hélio Costa.

An internal dispute within the PSDB, and a political decision to refrain from fighting Lula directly in Minas Gerais, meant that Neves did not work hard for Serra's campaign in the first round; in fact, Dilma won in Minas Gerais with 46.91% of the votes against Serra's 32.61%. Now, however, Aécio Neves is free to work for Serra and has assumed an important place in the PSDB's presidential campaign. Serra came first in the contest in São Paulo with 40% of the votes; a victory in Minas Gerais too could yet make a big difference on 31 October.

The third force that could help José Serra in the second round is the votes behind Marina Silva. The Partido Verde, after much debate and media speculation, declared that it would stay neutral between the two candidates in order to maximise its freedom of political manoeuvre. But even without outright backing from the greens, Serra has two advantages over Dilma concerning Marina's 20 million votes.

First, Marina Silva resigned from her post as environment minister in Lula's government amid bitter condemnation of his administration's neglect of the issue (especially in relation to infrastructural projects that were under Dilma's command). Second, the PV is allied to the PSDB in several important states, such as Rio de Janeiro, São Paulo and Minas Gerais. These factors may contribute to current poll findings that show more than 50% of Marina's votes going to Serra and only 20% to Dilma.

The only absolutely clear thing at this crucial moment is that the next presidency of Brazil is far from decided. The latest poll published by the newspaper Folha de São Paulo gives Dilma Rousseff a 48%-42% lead over José Serra. But what will the Brazilian people's final choice portend for the future of their democracy? If in the end Dilma Rousseff does make it, the PT and the PMDB in Brazil's congress and senate will create a solid political consensus between the executive

and the legislative branches that will shape the country's politics in coming years. This hegemonic alliance could provide strong backing for a Dilma-led government and carry Brazil through a further stage of development. But it could also be institutionally dangerous for the country, with a sharp polarisation between the Brazilian government and the press adding to a sense of tension.

If, by contrast, José Serra wins - and this is no longer impossible - he will probably have many difficulties in governing with the congress and senate. In that event, the famed checks-and-balances of democracy will have to work in the most effective way possible. The PMDB, which has already supported a PSDB government during Fernando Henrique Cardoso's administration (1995-2002), may change sides again - though not easily and not without charging a price.

A powerful or a more balanced government? Brazilians are keeping this once-predictable election open until the last possible moment. Whatever they choose, the political drama now unfolding will define their next decade.

After the party: Dilma and Brazil

22 November 2010

"I WOULD LIKE THAT EVERY FATHER AND MOTHER IN THE COUNTRY TODAY look at their daughters and say: 'Yes, the woman can'". No one in this political moment in Brazil can utter these words with more authority than Dilma Rousseff, who on 31 October 2010 accumulated enough votes to become the first woman president in the history of the country.

True, it wasn't the smooth ride that many had long expected. The first round on 3 October had produced something of a surprise, when Rousseff - even though boosted by the support of the popular two-term president Luiz Inácio Lula da Silva - was forced into a second round against her chief adversary José Serra, the former governor of São Paulo. The strong performance of the Partido Verde(Green Party) candidate Marina Silva, with 19.3% of the vote, deprived Rousseff of the outright win she had expected.

In the weeks between the two rounds, some opinion-poll figures had even suggested that José Serra might just win. But in the end, Dilma's margin of victory was clear: with 56.05% of the vote (and 55 million in total, against Serra's 43.95% and 43 million), a majority of Brazilians have invested this daughter of a Bulgarian immigrant father and a Brazilian mother with their confidence at least for the next four years.

The inheritance is in some respects benign. Brazil's economic performance is currently very good, reflecting the sound economic management of the administrations of both Fernando Henrique Cardoso (1994-2002) and Lula (2002-10); and Brazil's political institutions have also proved efficient in preserving the country's political stability, even in moments of disturbing corruption scandals. But Dilma

Rousseff's task will not be easy. Her presidency, which begins with her inauguration on 1 January 2011, will face three major challenges that will test her political skills - and perhaps even more important, Brazil's current economic prosperity and institutional health.

The first challenge, paradoxical as it may seem, is the uniquely strong and important legacy of Lula himself. The incumbent president has over eight years in power pursued a political strategy that has transformed Brazil's economic and social context without risking its institutional stability. This is what André Singer, a political scientist at the University of São Paulo, has called "lulismo"; its heart is the engagement of Brazil's poorer classes with Lula's political platform by seeing in him the possibility of their social ascent in a non-confrontational way.

An analysis of Lula's two terms clearly shows that this political model was carefully constructed, such that by the end it could win the president the support of more than 80% of Brazilians. A striking aspect of the strategy relates to economic management; on no occasion during the last eight years has Lula's administration given any signal that it would abandon three important commitments inherited from its predecessor - the control of inflation (even with high interest rates if necessary), the free exchange-rate mechanism, and fiscal responsibility. In fact, even at the beginning of his first term, a large part of the Brazilian left harshly criticised Lula for his support of these core principles.

But this relative orthodoxy was only the foundation, creating space for Lula's presidency to go much further in advancing its social goals. The administration also implemented a series of economic and social programmes - most notably the renowned Bolsa Família, in 2004; and the Programa de Aceleração do Crescimento (PAC), in 2007. In parallel, it gave to public financial institutions (such as the Banco do Brasil) the role of making credit available at below-market interest-rates to low-income families.

The results included an explosion of consumption and employment whose benefits were felt strongly by poor people, but also by those in upper sectors. Just two figures give an indication of the effects: the Brazilian minimum wage continued to grow, by more

than 30% in real terms over 2007-10; and the Brazilian economy created more than 1.3 million formal jobs annually over 2004-10.

It is now for Dilma Rousseff's presidency to keep this path. It is not clear whether her government will be capable of a performance as good as Lula's. The remarkable achievement of her predecessor (and mentor) was to use his political skills and charisma to balance all the forces that pushed upon the presidency, in a way that enabled him to implement a political platform which benefited every sector of Brazilian society - especially the poor.

In political terms, Lula's prestige - with other leftwing organisations as well as his own Partido dos Trabalhadores (Workers' Party/PT) - was a vehicle to establish a positive equilibrium that could effect change without a major rupture. This measures the size of Rousseff's task: for now she will face pressure both from the coalition of parties behind her government and from a range of interests and organisations in Brazilian civil society - all seeking to press their own agenda, and to test the new leader. The challenge to her is to keep control of her own agenda while balancing the forces around her and maintaining popular support. This would be formidable work for anyone; the example set by Lula makes it even more so.

The second test relates to the limits of lulismo. This is a capitalist revolution. The origins of Lula and the Workers' Party lie in the periphery of Brazilian capitalism's heartland: the city of São Paulo. It was here that PT was forged out of the political movement of trade unions organising around the paulistas' industrial base; here too, its chief rival the Partido da Social Democracia Brasileira (PSDB) - in which Fernando Henrique Cardoso and José Serra have been leading figures - was formed out of the intellectual elite of the city's industrial class. In this sense, a Marxist analysis could see the polarisation between these two parties that has dominated the Brazilian political scene since 1994 as an extension of the class struggle in São Paulo.

The great success of Lula's presidency among the Brazilian people is based on real income growth, consumption and job-creation. The problem here is that other issues - such as basic education, public healthcare and public security - have not received equivalent attention.

A pair of international reports casts a sobering light on such issues: at a time when the International Monetary Fund suggests that Brazil may become the seventh-largest economy in the world in 2011, the United Nations finds that the average Brazilian child spends at school the same number of years (7.2) as the average Zimbabwean (in a country at the bottom of the world's human-development index).

The way that Dilma Rousseff's presidency will address this and other flaws in Brazilian society is a burning question that only time will resolve. In this respect, her recent statement that education policy will not be among her priorities since the area has until now been "well conducted" is not reassuring. Brazil's opposition has already highlighted the Lula administration's approach to the efficiency of the state and public services, and this line of criticism may pose some problems to the new government too.

It is relevant here to note the gradual increase in the opposition's vote in successive presidential elections. In 2002, when Lula defeated Serra, the latter received 38.7%; in 2006, when Lula defeated Geraldo Alckmin (the newly elected governor of São Paulo state), the latter gained 39%; in 2010, Serra gained 44% in losing to Dilma Rousseff.

The issue of the efficiency of the state and the public services has been a feature of all these campaigns; it will certainly be a major factor in the opposition to Rousseff's presidency - especially in the context of Brazil's high tax-rates, close to 40% of GDP. The media will also most likely exert pressure on the new president over this matter. How Dilma handles this area, without harming the social and economic advances achieved by Lula, will be a major test of her political skills in the next four years.

The third challenge will be the pressure of the international economic situation. The United States and Europe are in poor economic shape, and this creates problems for the global economy as a whole, Brazil included. A major problem here is the appreciation of the Brazilian currency; this is reflected in Dilma Rousseff's attendance with Lula at the G20 meeting in Seoul on 11-12 November 2010, where currency values were high on the agenda of world leaders.

The continuing recession and/or slow growth abroad that will also probably force the Brazilian economy to give priority to the

domestic market, which in turn will create inflationary pressures and thus measure the administration's commitment to fiscal responsibility. A zero-sum game between steep interest-rates and inflation would be especially harmful in Brazil, which already has perhaps the highest real interest-rates in the world.

The major political success of Lula's two terms in office has ended in the election of his protégé. But as these years and an exciting election season pass into history, the moment for Dilma Rousseff to celebrate will be short. In the quarter-century since the end of the military regime, Brazil's people have learned that democracy - and politics generally - can indeed change their lives for better. This is a sign of great political maturity - but it is also a demand for greater responsibility.

Dilma Rousseff and Brazil: signs of change

22 April 2011

The first four months of any new president will give some indication of the degree of continuity and change in relation to his or her predecessor. The experience of Brazil in 2011 was always going to be a notable test of the balance-sheet of the two elements, in that the inauguration of Dilma Rousseff on 1 January embodied both. The very fact that she is Brazil's first woman to become head of state means that she symbolises change in her very person; yet the fact that she had been the trusted ally and favoured successor of the popular figure who held the office from 2002-10, Luis Inácio Lula da Silva, means that she also represents a degree of continuity.

But here is a surprise, for the new president in this early period of her four-year term has seemed to transcend both these categories and to begin to establish a distinct political persona. This has been a gradual process. A single event that took place just before she passed the symbolic 100-day period in office in the second week of April conveys something of it.

The event was a shotgun massacre at a school in Realengo, a modest neighborhood in Rio de Janeiro, in which ten girls and two boys (all 13-15 years old) were killed and twelve more wounded, some seriously. The perpetrator was a 23-year-old former pupil called Wellington Menezes de Oliveira who hadentered the school armed with two guns filled with more than thirty bullets.

Brazil is a country used to episodes of armed violence, often related to urban-gang wars, but this targeting of children was unique and especially shocking. Dilma Rousseff expressed the nation's grief on the same day, 7 April, when delivering a scheduled speech to business

leaders - by shedding tears. She also announced three days of official mourning, whose end coincided with her first 100 days as the country's president.

Her reaction to the tragedy was direct and personal. In one sense it raised an echo of her mentor Luiz Inácio Lula da Silva, whose sincerity, simplicity, openness and spontaneity in the presidency make him the most charismatic Brazilian leader in the country since the fall of the military regime in the mid-1980s. Yet in another her display of emotion had a very different character from the political dynamism of her predecessor, and helped mark Dilma's distinctiveness in the Brazilian public's mind.

The substance of Dilma Rousseff's presidency has yet to be defined, but in four ways she seems different from the recent occupants of Oscar Niemeyer's Palácio do Planalto in Brasília. First, a distinct quality observed by many Brazilian political analysts, is that she is very discreet. For the first time in two decades, the country has a president who does not seek the media glare or popular attention - and in particular appears to have no "self-mythologising" ambitions. Collor, Cardoso and Lula alike wanted to change Brazil in so radical a way that the outcome would give them a shining place in Brazilian history. Dilma is modest by comparison: suddenly, the country has a president who wakes up early, works very hard, is very demanding with her team and very serious with her duties.

Second, Dilma is not - as some had suspected she would be - a puppet of Lula. This is already notable in a shift - immediate, and necessary - in Brazil's foreign-policy stance. At a United Nations debate in March 2011, the Brazilian delegation voted in favour of an investigation into possible human-rights abuses committed in Iran against opponents of the Islamic regime. For ten years, the country's diplomats had abstained or voted against any inquiry.

Third, Dilma's style in day-by-day politics is a refreshing departure. Lula's conducted politics as if he was permanently on campaign, and was more than once criticised for confusing his role as president with that of leader of the Partido dos Trabalhadores (Workers' Party/PT), and permanent candidate - even when he was not actually running.

Dilma has already been saluted for her refraining from involvement in political disputes and for her cordial respect towards opponents. This was evident in her deference to Fernando Henrique Cardoso during Barack Obama's visit to Brazil in March 2011.

Fourth, Dilma is tough and quick in responding to problems within her team and administration - again a contrast with Lula's temporising approach. A dispute within the culture ministry, for example, was handled by preventing one of those involved from assuming his post; and new controls on government spending were imposed, following abuses during the pre-election period.

The first four months of Dilma Rousseff's presidency suggest that she has her own style, ideas and way of governing. In this last sense, she could be seen as representing Brazil's new political maturity.

Brazil: woman's work vs men's mess

23 November 2011

Dilma Rousseff approaches the anniversary of her inauguration as Brazil's president at the beginning of 2012 following a year when policy advances and political setbacks have tumbled into one another. Among the most spectacular of the latter is a series of corruption scandals, which has led to the fall of no less than five of her ministers. The president personally has not been touched by any of these scandals, and her speed and firmness in insisting on the departure of those responsible are to her credit. But the catalogue of incidents - all of which involve male ministers - has to a degree overshadowed her first year in office.

It could even get worse. A sixth target is the minister of labour, Carlos Lupi, who is accused of demanding payoffs from NGOs in receipt of government contracts. Similar charges forced Orlando Silva from the ministry of sports in October, in the midst of preparations for the football World Cup (2014) and the Olympic games in Rio de Janeiro (2016). His loss was preceded by that of Dilma's influential chief-of-staff and ex-campaign manager, Antonio Palocci, over allegations of illicit enrichment, in June; Alfredo Nascimento (ministry of transport), in July; Wagner Rossi (ministry of agriculture), in August; and Pedro Novais (ministry of tourism), in September.

If that were not enough, Dilma also lost another minister, though not for a corruption scandal. Nelson Jobim (ministry of defence) resigned in June after inelegant public criticism of two women promoted by Dilma Rousseff, a political episode that emphasised the maleness of the ministerial mess. In an interview Jobim said that Gleisi Hoffmann, who replaced Palocci, "does not know Brasília", and called

Ideli Salvatti, responsible for Dilma's difficult political relations with Brazil's congress in a year of fiscal restrictions, "very weak".

In a broader light, the spate of resignations highlights the problematic side of the political legacy of Dilma Rousseff's predecessor and mentor, Luiz Inácio Lula da Silva. After all, with only one exception (Pedro Novais), all the ministers who had fallen during Dilma's first year were in place during Lula's presidency (2003-10), and most of the charges against them date from that period. Orlando Silva was appointed in April 2006; Wagner Rossi in April 2010; Alfredo Nascimento served from 2007 to March 2010, and then returned with Dilma in January 2011. Carlos Lupi, now engulfed in serious accusations, for example, was appointed in March 2007, at the start of Lula´s second term.

Lula left the Brazilian presidency a very popular figure (with ratings of more than 80%), and his current serious illness if anything reinforces this status. Yet the series of corruption scandals during his administration and now in Dilma´s first year in office raise hard questions about how public funds and domestic negotiations have been handled in Brazil since 2002. It is natural then that great expectations are being invested in a governmental reform planned by Dilma for January 2012.

At the same time, Dilma Rousseff has extended the social programmes that were at the heart of Lula's political success. She began her presidency by raising by almost 20% the monthly payment (the famous Bolsa Família) given by the government to Brazil's poor families. This minimum-income programme benefits more than 50 million people, in a country where (according to new data from the Brazilian Institute of Geography and Statistics [IBGE]) the richest 10% own more than 40% of total household income and half of the population lives on less than 400 reais (US$235) per month.

In June 2011, Dilma Rousseff launched a plan called "Brasil sem miséria" (Brazil without poverty), whose goal - backed by the direct involvement of eight ministries - is to take more than 16 million Brazilians out of extreme poverty. The project targets people who live on less than R$70 (US$40) per month; it includes the Bolsa Família, other direct benefits for very poor families to buy food, an educational

programme ending in technical and professional qualifications, and resources for very poor families who live in environmentally protected areas to develop actions for conservation. This last scheme, the Bolsa Verde, will try to help almost 75,000 families and distribute R$240 million (US$140 million) until 2014. *Brasil sem miséria* has, according to official figures, already benefited more than a million Brazilian children.

Hence, the first year of Dilma Rousseff´s government has lived with the best and the worst of Lula. It is true that political corruption is not a new problem in Brazil and that it has been inflated by the proliferation of non-ideological parties needed to constitute a government. It is also true that the conservative media in the country has also recently politicised the issue of corruption by turning it into a sort of crusade; this enthusiasm, on matters that are more for the police and the courts to handle, may end by narrowing the scope of Brazil's political agenda, especially within the opposition.

But explanations should not be justifications, and a critical stance towards the conservative media in Brazil does not clean the dirty negotiations in Brasília. In this sense, the problems faced by Dilma Rousseff during her first year as Brazil's president could be turned into a springboard to the reform of January 2012 that aims to renovate the country's governance over the next three years at least. After all, she and the country have many important things to deal with; corruption is but one.

Brazilian politics: the São Paulo microcosm

20 March 2012

The leading Brazilian politician José Serra celebrated his 70th birthday on 19 March 2012. But even at this age the pugnacious former president candidate is in the middle of a new fight for the future of the country. Serra received 43 million votes in the presidential election of 2010, but was unable to prevent the little-known Dilma Rousseff - who benefited greatly from the support of her ally and patron, the immensely popular departing president Luís Inácio Lula da Silva - from claiming victory with over 55 million votes.

In his latest campaign, Serra is again facing someone chosen by Lula - with the prize this time being the mayoralty of São Paulo, the biggest city in Brazil and the core of Brazilian capitalism. São Paulo is Serra's political birthplace and heartland. He has already served as congressman, senator and governor of the country's larger state, which carries the same name as the capital. He also spent time as the city's mayor, in 2005 - but this counts less in his favour, since he left the job after one year out of eagerness to move into the main office of the Palácio dos Bandeirantes, the headquarters of the paulista governorate.

Serra announced his candidacy only at the last moment, on 27 February - partly as he was still contemplating a third run for the presidency (he lost to Lula in 2002 as well as to Dilma in 2010) at the end of Dilma's first term in 2014. Moreover, he still has a hurdle to climb before he can compete for the mayoralty: an election on 25 March among São Paulo colleagues of his Partido da Social Democracia Brasileira (PSDB) that will choose the party's official candidate. If Serra wins, his main opponent will be Lula's former

education minister Fernando Haddad. Indeed, Lula directly interfered in the internal election process of his Partido dos Trabalhadores (PT) in order to ensure his favourite's victory.

It all matters greatly in Brazilian politics, both because city mayors and state governors play a powerful role in Brazil's system, and because these positions are also often stepping-stones to a national profile and position. The next big election-days are 7 October and 28 October 2012, when over two rounds more than 130 million Brazilian voters will choose mayors and representatives for their 5.500 municipalities.

The choice of Fernando Haddad was controversial, not least among the PT's militants in São Paulo who would have preferred the feminist senator Marta Suplicy to be the party's candidate. Lula's rationale is that Haddad is better placed to challenge the PSDB's position in one of its state strongholds; the PSDB governor of São Paulo state, Gerald Alckmin lost to Lula in the 2006 presidential election, and the party has been in power there since 1990. Lula's strategic calculation is that the paulista city hall is a realistic objective for the PT, which itself was forged in working-class struggle in São Paulo.

So the dispute between José Serra and Fernando Haddad in São Paulo (assuming Serra wins the nomination) will also be another major battle between two parties that for two decades have been at the centre of the Brazilian political scene: the PT and the PSDB. The turning-point was 1994, when - after a series of failed efforts to bring stability to the Brazilian economy following the end of the military regime in 1988 - the Real (currency) plan led by former president Fernando Henrique Cardoso cut inflation and guaranteed the PSDB's hold on the presidency for two terms. Then, in 2002, Lula's fourth attempt to win the presidency was successful; he also served two terms before making way in 2010 for Dilma Rousseff.

What makes the São Paulo dispute especially sharp is that both parties originate in the city. The PT was created in 1980 by workers in local industries, with its leader Luís Inácio Lula da Silva gaining prominence in the fight against the then military regime; the PSDB was born in 1988, clustering around an intellectual paulista elite. In that sense, the current political polarisation between the parties can

also be seen as an expression of an ongoing class struggle at the heart of Brazilian capitalism.

Who will win the São Paulo race? Serra would be a very strong candidate. In 2010, he received 53% of the votes in the city against Dilma's 46%, and early polls after the announcement of his candidacy showed him twenty-seven points ahead of Fernando Haddad. Even before this, Lula - believing that Serra's real ambition was Brasília and the national presidency - tried to persuade Gilberto Kassab, the current mayor of São Paulo - he assumed the position in 2006 after Serra stepped down to run for state governor - to support Haddad's campaign. Kassab, who later broke from Brazil's Partido Democrático (DEM) to form his own Partido Social Democrático (PSD), seemed close to making a deal with the PT, which in turn put pressure on Serra to stand - for Serra knew he would be blamed if the PSDB were to lose power in Brazil's economic capital. In the event Kassab resisted Lula's lure and stayed loyal to Serra.

In the context of these political calculations, the result of the São Paulo race is open. Against Serra is the suspicion that he could still step down as mayor to run for the presidency in 2014; 66% of voters, according to Folha de São Paulo, believe Serra, if elected, will not stay until the end of his term. But Haddad too is handicapped by administrative scandals in the ministry of education during his tenure, especially the management of a national test that ranks Brazilian students for university entrance (the Exame Nacional do Ensino Médio [Enem]). He still has to win over the reluctant PT militants in São Paulo. And he cannot expect Lula, who is suffering from cancer, to be in the best condition to give support during the campaign.

The result of the São Paulo contest will be vital to Brazil's political future. If José Serra wins, the PSDB will remain strong in the city and in a good position to keep hold of the state governorship. If Fernando Haddad wins, this will reveal Lula's continued power and popularity, and give the PT a good chance to take executive power from the PSDB in the next São Paulo state election.

But some political consequences of the election are being felt even now. Serra's decision to run for mayor opens the way for another

major PSDB figure, Aécio Neves, to be the party's candidate in the 2014 presidential election - on the grounds that if Serra takes São Paulo, another premature resignation would greatly damage him, and if he loses, he would be too weakened to rise to the candidacy.

This makes Aécio Neves, senator from the important state of Minas Gerais - and recently described by elder statesman Fernando Henrique Cardoso as the PSDB's "natural candidate" for the next presidential bid - look like an early beneficiary of the São Paulo dispute. But it may take longer than he or his party would like. After fifteen months in office, Dilma Rousseff is approved by 59% of the population. This compares favourably with Lula's 42% at the end of his first-term first year, and 50% at the same stage in his second term. Moreover, Aécio Neves knows that he may have just one chance. The paulistas are now looking to 2018.

The incredible Dilma Rousseff

25 July 2012

"Nobody will want you. You will be deformed", the 22-year-old prisoner was told in January 1970 by a jailer working for Brazil's then military regime. The young woman's name was Dilma Rousseff. Thirty-one years later, in 2001, she told a human-rights commission (in a statement released in full only in June 2012) that she had been held in prison for three years in three different cities, and during that time faced all kinds of torture, including numerous physical beatings, electric-shocks and even a fake firing-squad. She could never have believed then that one day she would be Brazil's president.

Dilma Rousseff entered the Palácio do Planalto in Brasília in January 2011, following her election victory in October 2010. The president's success in her first two years in office, reflected in the fact that more than 75% of Brazilians think she is doing a good job, has many aspects. For example, she has never used her suffering for political gain; she is a woman head of state in a country marked by a very "macho" culture; she created Brazil's first "truth commission", to review crimes committed by the state during the dictatorship of 1964-85. But the most important ingredient is that Dilma Rousseff has confronted three major, serious challenges with hard work and honesty.

The first is the global economic crisis since 2008. Brazil's response has been to boost domestic consumption, a remedy that seems to have reached a turning-point with a possible growth figure of under 3% in 2012. Some in the Brazilian press argue that Dilma Rousseff's government is unable to deal with the problem, and the president acknowledges the need for action. But she also rightly insists that economic growth is not everything, but just one issue (if a vital one) on

the political agenda. She has reiterated that a country should also be judged by its ability to protect and educate its children, take care of the elderly and eliminate poverty.

By making these her priorities and pursuing them through various social programmes, Dilma has in effect demanded that Brazil's official political culture end its practice of judging administrations by their economic performance alone. This is a positive step, for it highlights the historic inability of the Brazilian state (reflecting the influence of Brazilian capitalism on the country's politics) to provide public goods - such as basic education, healthcare, justice and public security - to its citizens.

But even in the economic field, Rousseff´s government has fulfilled her promise to reduce Brazil's interest-rates, with the central-bank's rate falling from more than 12% per year in 2011 to the current 8% (the lowest level since 1996). More than that, the president has pressed the public financial institutions to use lower rates in the market, thus forcing private banks to do the same. The result is a financial revolution. For the first time in decades Brazilians are able to use banks and other financial institutions with reasonable rates; now, TV news programmes report on how to borrow responsibly.

The second challege is one inherited from her predecessor, Luís Inácio Lula da Silva (and more distantly another the former president, Fernando Henrique Cardoso): the need to avoid the trap of making spurious political alliances in order to govern. Here too, Dilma's firm leadership - for example, in quickly dismissiing seven ministers involved in political and corruption scandals in the first year of her presidency - has consolidated her authority and popularity.

But her steadiness will be tested in coming months, when Brazil's federal high court will judge the notorious *mensalão* - the prolonged corruption scandal that unfolded under Lula's government, when prominent figures in the ruling Partido dos Trabalhadores (Workers' Party), including Lula's chief-of-staff José Dirceu, were accused of distributing money to small parties in exchange for political support. Until now, Dilma has behaved with dignity and restraint, leaving the issue entirely in the hands of Brazilian justice.

The third challenge is Brazilian foreign policy, where Rousseff's government has been attacked from both the right and the left. The right claims that the "Rio+20" agreement on climate change was empty, and that Brazil's policy over Paraguay's "presidential coup" was subordinated to Buenos Aires and Caracas. The left claims that the president doesn't care about foreign policy, has no patience with the idiosyncrasies of Itamaraty (the political bureaucracy behind Brazil's foreign policy), and has lost the guiding path built by Lula and ex-foreign minister Celso Amorim, who (so the argument goes) articulated a more authentic and autonomous political strategy for the country in the international arena.

In fact, the agreement reached at the Rio+20 was a near-miracle, while Brazil's position on the overthrow of Fernando Lugo in Asunción showed that Brazilian leadership in the region is being linked to a new democratic discourse. In this terrain, Dilma Rousseff has continued to pose the longstanding Brazilian question about the current methods of global governance, as well as corrected some flawed stances on human rights. Here too, her thinking is clear: it is better to fight poverty and abuse from the inside than to play power-politics outside.

Besides all that, the president has had to deal with the political moods of her predecessor and mentor. Luís Inácio Lula da Silva, who served two terms from 2002-09, has more than once impolitely suggested that he could run again in 2014, when Dilma herself would be in a good position to reach for a second term. For handling this test and the others with honesty, sincerity, hard work, good social programmes and an impressive political conscience, Dilma Rousseff has already achieved much as Brazil's first woman president. Oxalá she can keep going that way.

Brazil, a crisis of representation

20 June 2013

It was, is, a political earthquake. Suddenly, on 17 June 2013, more than 150,000 people appeared on the streets to protest in eleven major Brazilian cities. The day will be remembered as the biggest political demonstration in the country since 1992, when the young *cara pintadas* ("painted-faces") pushed for the impeachment of the president, Fernando Collor de Mello.

In Rio alone, it was estimated that around 100,000 people went to the downtown area to walk side-by-side and sing political slogans, while a few decided to press harder and fire homemade bombs at the state assembly. The gathering also recalls the last popular assembly of this size in the city, in 1968, against the then military dictatorship.

In São Paulo, an estimated 65,000 people came onto the streets. The polling institute Datafolha Research found that most of them were around 26-35 years old and had no political party preference; more than 80% said they were following the movement through Facebook.

Even detailed surveys of this kind can't figure out what exactly lies behind such a huge public display, especially when Brazil has experienced almost two decades of improving prosperity, political stability and social inclusion. In this sense, no short article can claim, metaphysically as it were, to explain "what is really happening in Brazil". At most, one can offer some fragments that, put together, make some sense of reality.

A good starting-point is the ideas and arguments that have been expressed on the streets and in social media. These represent a fresh voice in Brazil, one unrepresented in the country's media or its political parties, and counterposed to its old, centralised social-

political structures. This voice is attempting to constitute new concepts of political community in a context where at present there is no institutional path available. It is a clash of the new Brazil with the old.

The story began on 6 June in the city of São Paulo. A few thousand people took to the streets, ostensibly to protest against a twenty-cent increase in the price of a bus-ticket. The paulista state police and Brazil's establishment media, taken by surprise, were quick to define (and to smear) what was going on as a "gang riot". Both reacted violently, symbolically or in fact, with vehement media (especially TV) condemnation and injuries to eight protesters and two policemen.

This exaggerated reaction was counterproductive. The protesters rersisted this attempt to trap them in a corner by continuing their demonstrations. As they did so, so did the repressive police behaviour and the number of casualties. On 11 June, thirty-eight people were hurt, including eight policemen, and nineteen people were arrested; two days later the protests reached a turning-point, when 105 protesters, eighteen policemen and fifteen journalists were injured in the clashes.

As the people poured onto the streets during these first five days, there was equally prolific mobilisation on social media, with thousands of posts being shared and linked against the repression and the dominant media coverage of the events. The social media were also used to schedule major gatherings for 17 June in the biggest Brazilian cities.

This time, it would be about far more than "twenty cents". In fact, the issues raised on all the demonstrations - though especially on 17 June - have been at once multiple and complex, vague and sparse. Yet if they are viewed in a wider context - of the Brazilian state's historic inability to provide public services and the mass media's over-centralisation, as well as the costs involved with the 2014 World Cup - then taken together they raise legitimate questions about both political communication in Brazil and representation in the country's democratic regime.

They may even form a coherent set of political ideas. A widespread theme of the protests, for example, links the issue of public transport, raised in São Paulo, to perennial problems in healthcare, education

and public safety. This is a new version of an old debate concerning the supply-side of public issues in Brazil. The Brazilian state, deeply entrenched in the logics of Brazilian capitalism, has historically failed its responsibility to offer public benefits to a very unequal society.

The now high-profile area of public transport is an example of this situation. The Brazilian state, closely linked to the automobile industry - both owners and workers - filled the cities with new cars and pollution (but no infrastructure), and gave repeated incentives to the sector as part of efforts to fight global recession. Since 2002, according to a study published in Folha de São Paulo, 1.6 million new cars (13,000 a month) have been put onto the roads of the paulista capital alone. When trucks and motorcycles are added to the account, the number of new vehicles is 2.6 million (more than 20,000 a month). In Rio and Salvador as in São Paulo, to mention only those cities, automotion has transformed itself into a daily public drama.

A rising generation of young, connected and urban citizens has made a link between such concerns and others: among them successive corruption scandals involving senior politicians, and the rising costs of the global football tournament in 2014. In the latter case, 33 billion reais (US$16bn) is being invested, less than 4bn from private initiative. In 2010, the government estimated that 5.4 bn rs (around $2.7bn) would be spent in the refurbishment or construction of stadiums; three years later, spending in this area alone has reached more than 7bn rs ($3.5bn). The BBC reports that South Africa's stadiums received just $1.12bn in 2010.

In addition, the young protesters have focused their criticism on parties and the media, two very important agents of political representation in connecting civil society to the political sphere. Where politics are concerned, their targets have covered all levels: the president, governors and mayors, no matter which party or side they belong to. This is reflected in slogans like "no party represents me" and "the people united do not need parties", which were sung together with "we don't need the World Cup, we need money for health and education", "how many schools fit in the Maracanã?" and "Less corruption, more education".

In relation to the media, the protests' main focus has (of course) been Rede Globo, the major private conglomerate that has dominated Brazil's concentrated media system for decades. Besides the symbolic criticism in social media, a Globo reporter was physically harassed by demonstrators and the network's main office was threatened by a small group in São Paulo. Also on 17 June, the powerful Globo TV broadcasted an editorial in the middle of its main news programm, Jornal Nacional. The statement defended its coverage, saying that it had reported the events since the beginning with "nothing to hide", and that the citizens have "the right to protest". The very fact that Globo felt an obligation to do this - to be "responsive", in the sense used by the scholar Hanna Fenichel Pitkin - was a very powerful symbol of the effects of the protests.

In fact, responsiveness became the common media tune after the storm. Columnists, journalists and politicians were all saying "I'm sorry", with Brazil'spresident, Dilma Rousseff, doing it in the most perspicacious way. In a speech on 18 June, she said that "the voices on the streets need to be heard. They overwhelm the traditional mechanisms of representation through the institutions, the political parties, the associations and the media".

It is too early to assess the consequences of 17 June, especially as the demonstrators have promised to continue their actions even after the transport-fare increase was rescinded on 19 June. But three things are already clear.

First, the fantasy that Brazil has transformed itself into a paradise is over. It is not possible to hide anymore that Brazilian cities are now urban catastrophes, marked by inflation, gigantic traffic-jams, housing speculation and a lack of infrastructure and public services. Second, the top-down modernisation framework based on consumption and increasing economic activity is now contested. Brazilian people have shown the limits of their tolerance towards political institutions that have failed effectively to solve problems in public healthcare, education and safety. (A placard in Rio makes the point: "It is not for cents, but for rights"). Third, the protests put in question the ability of Brazil's political institutions to accommodate and channel the new conceptions of life articulated by the protests within Brazil's political community.

The protests, however they end, challenge Brazil to break with its antique, centralised social practices and structures, which include corruption, the lack of a genuine public conscience, secretive political institutions and a very concentrated media system. Against this background, these events can be seen as a clear product of the changes the country has experienced in the last two decades, including relative economic prosperity, political stability and social inclusion. It would be a far better outcome that they build on this legacy and contribute to Brazil's renewal rather than be dragged into violent confrontations that spoil their potential.

Brazil in 2013: a historic adventure

27 December 2013

It has been quite a year in Brazil. The country experienced huge demonstrations as more than one million people protested in the streets. These were the largest popular eruptions since 1992, when president Fernando Collor de Mello was impeached. In addition, the biggest political corruption scandal (the so-called mensalão) since the end of the military regime in Brazil (1964-85) saw some powerful personalities of the ruling Partido dos Trabalhadores (Workers' Party/ PT) - including long-term comrades of the former president Lula da Silva being sent to jail, after their condemnation in 2012 by Brazil's supreme court. Whatever mix of good and bad things emerges from 2013, none of what happened has been minor.

This is most clearly true of the demonstrations, especially the ones on 17 and 20 June, when (according to even modest estimates) around 100,000 people assembled in the streets of Rio de Janeiro and 70,000 of São Paulo on the first night. There were also protests in the major Brazilian cities of Belo Horizonte, Brasília, Porto Alegre, Fortaleza and Curitiba.

The signals of the drama to come were apparent at the beginning of June, when small protests against a rise in the price of public-transport tickets took place in the streets of the paulista capital and grapped the attention of Brazilian media. The same issue had ignited popular manifestations before in at least two other big cities: Natal, in August 2012, and Porto Alegre, in March 2013.

In São Paulo, three small demos on 6, 7, and 11 June encountered harsh police repression and the prejudices of Brazil's establishment media, which was quick to classify the participants as "vandals". In

a wider context of relative economic prosperity and consumerism, which much of the country had experienced since the Real Plan of former president Fernando Henrique Cardoso (1995-2003) and the social programmes of Lula (2003-11), it seemed that there was no space for political protests.

The easy accusations of "vandalism" just as rapidly proved to be mistaken, however. In fact, they provoked further protests directly against the Brazilian media. A few days later, on 13 June, people took to the streets in São Paulo, Rio de Janeiro and at least five other capitals: Natal, Porto Alegre, Teresina, Fortaleza and Maceió. In São Paulo, the police crackdown was violent and at least 300 were arrested. Several people, including journalists, were injured in the clashes, and the photographer Giuliana Vallone, working for the newspaper Folha de São Paulo, was hit in the eye by a rubber-bullet. This was two days before the opening of the Fifa's Confederation Cup in the country, thus in full view of the world's media.

On 20 June, in the middle of this global football tournament - which was to be known in Brazil as the "Manifestations Cup" - around 1.5 million people flocked onto the streets in more than 100 Brazilian cities. The protests' origin in transport prices became swamped by an enlarged range of issues - including public benefits in general (health, education and security), political corruption, media concentration, and the spiralling costs of the Fifa's World Cup in Brazil.

Four months later, on 15 November, a crisis of another order reached its peak, as the Brazilian Supreme Court issued arrest-orders for twelve of the twenty-five politicians, bankers and businessmen condemned in 2012. The trial, which began in August 2012, concerns the buying of representatives' votes in the Brazilian congress in 2005-06. It involves high-profile figures such as José Dirceu, the Lula presidency's former chief-of-staff, who was given ten years in prison and a fine of more than Rs 650,000 (US$ 325,000), and José Genuíno, the PT's former president, who was given six years in prison and a fine of almost Rs 500,000 ($ 250,000).

The importance of the case lies not only in its size and the fact that it involves a ruling party and prominent former leaders, but in

the historic role of Lula's PT as both a beacon in the fight against Brazil's military regime and a traditional bastion of decency in the country's complex political arena. Hence, it will be no surprise if the image of politics itself suffers major damage among Brazilians, fed greatly by the conservative media's "spectacularisation" of the corruption trial.

So what good and bad things come from all this? First, the popular manifestations of 2013 show that relative economic prosperity and consumerism are not enough. The protests were largely a networked movements of the urban middle-class, and as such brought attention to long-standing problems in the provision of public services in Brazil and in an over-centralised media environment; and to the need for more participative methods of decision-making in the country and the creation of multiple spheres of authority to rethink Brazil's social priorities.

Second, however, the protests fuelled radical and non-democratic movements and encouraged the view that Brazilian politics had failed to address all the issues they had voiced.

Third, the results of the long and complex *mensalão* trial can be seen as a hoped-for turning-point against impunity within Brazilian politics and society - and the idea that in Brazil only black and poor people go to jail. At the same time, the authoritarian behaviour of the president of the Supreme Court, Joaquim Barbosa, during the trial has fed a desire for non-democratic solutions and neo-populist political platforms (reflected in pleas for Barbosa himself to become the "saviour of the country".)

In the end, the one certainty is that 2013 has shown Brazil to be both a vibrant and heavily mediatised democracy that thinks constantly about itself in a very competitive discursive environment (which now, without any doubt, includes the internet.) This can be seen as a complex, diverse and unexpected background for 2014, when the country will experience its second Fifa World Cup in June, after its second place in 1950 and the defeat by Uruguay in the final match in Rio's Maracanã, but also national elections for congress, governors and the president in October. As such, 2014 promises to be as big a year as 2013 has been.

Brazil, protest and the World Cup

13 June 2014

This World Cup definitely feels very different to its predecessors. One sign of this is the streets of Rio de Janeiro. In the past, this competition has always been a big party for we Brazilians. People painted the streets with green and yellow decorations, the country's flag was spread all over the city, and many people wore the national team's shirt. In the days before the competition, a walk in Rio revealed a completely different mood, far more subdued.

As the competition approached on 9-10 June, some flags appeared, but very few. I met some American students who spoke of a feeling of tension in the air, the sense that anything could happen at this World Cup. It could be a great mess or the usual smooth process, but you really don't know, especially in the major cities. And this above all is a clear consequence of the protests of June 2013.

Many things, good and very bad, came from these demonstrations. A particularly dangerous result was the emergence of a kind of new Brazilian far right, not only conservative but also undemocratic. This new right-wing spirit was a byproduct of the protests and is here to stay. Its adherents condemn left-wing policies as "communism" (the term is back!), condemn homosexuality, the decriminalisation of abortion and drugs; say that Brazil is on the path of Cuba and Venezuela; speak sometimes in a racist manner and display strong social prejudices. This is linked to the political rise of religious groups and to the interpretations made of some speeches at the June 2013 protests.

But other trends came with the protests. The agenda concerning public benefits finally may have entered Brazilian political debate;

this is something several of us have been arguing for over the last decade. Fernando Henrique Cardoso's government was very important in bringing stability to Brazil's economy, and in fighting inflation, which mainly harms the poor. In turn Luiz Inácio Lula da Silva's government was very important in including the social agenda in its policies. But there was still no real reform in the new republic since the military regime fell, in areas concerning public benefits and equal opportunities in Brazilian society.

This was a major agenda in the June 2013 protests. Economic improvements and social benefits cannot substitute basic public needs in the areas of education, healthcare, security, universal access to justice, and transport (a major issue during the protests). And I do think that June 2013 has the potential to be a turning-point in these matters - and this could be a major factor influencing the mood in relation to the World Cup.

A logic, a cultural-political phenomenon, is at work here. Brazil has one of the biggest public investment banks in the world (BNDES), a very rich market and economy, and can even host the World Cup and the Olympic games - but we don't have the basics. Even the *Folha de São* Paulo printed a story calculating that the costs of the World Cup are equivalent to what Brazil spends on education in one month, meaning that, after all, they are not that large. But the feeling persists, especially among the middle classes of the major Brazilian cities, that government is spending money on a business event for rich people to go to, while education, health, and security are not working.

At the same time, we must be careful. All this does not mean that the protests seen on the eve of the World Cup are equivalent to those in June 2013. This is not the case. The current protests are being staged by professional groups that legitimately feel this is a propitious moment for them to gain some benefits for themselves. So, if you see them, they are people working in terrible conditions in the public-transport system, in public security, public education. They are being pressed hard, yet they do not have even the minimum conditions to work properly; in their action is a mixture of political strategy and protest against these low conditions. The recent protests also include

some aimed against politicians, for example the PSDB governor of São Paulo, Geraldo Alckmin. So the driver of all this is very different to what happened in June 2013, which were more spontaneous, "public" or popular manifestations.

Another issue that is influencing the Brazilian mood towards the tournament is the perception - which was not so clear before - that the World Cup is a major business event. This can be explained by the tensions present in the relations between culture and capitalism. Football was always a major cultural phenomenon in Brazil; Brazilian kids, especially boys, "breathe" football; when they play and follow football, it is generally in a very passionate way. But in recent decades, football has become - and the media has a big role here, but also the World Cup itself - a big-business thing.

Going to a stadium is not a cheap event anymore, as it used to be, especially after our stadiums were transformed to meet FiFA's exigencies; the salaries of players and coaches have gone beyond Brazilian reality; the best players no longer play in Brazil; players have become media celebrities. One way to see the tensions is through the clubs. Football was always a community event in Brazil, and the clubs were always the place where the community could practice sport. The clubs (our teams) were also always a communitarian thing, they always had a role within the community.

What happens when football becomes such a giant business? The clubs don't have the professional culture, profile and also skills to manage themselves in this environment, by placing themselves between the community and the business. They are all broken inside, while our best players are playing outside; one current member of the national team plays in Ukraine! This idea of business, which is very strong with the hosting of the World Cup, along with the public-spending issue and the terrible state of public benefits, feeds the dubious feeling about the tournament here.

If you look for example at what FIFA did in the case of Alzirão, which was solved afterwards (thank god) you can see this tension clearly. I may say that FIFA is in 2014 what the IMF was in Brazil during the 1980s, after the debt crisis. Also, you may look at the behaviour of the

Brazilian citizen concerning the October 2014 election here. We have never had, since the new republic, so many people at this time before the election saying that they will vote for no one or that they do not know who to vote for (30% of the electorate, according to Datafolha).

It may be that now the games have started, Brazilians will put these concerns behind them. Brazilians are big fans of football, and will be happy that the team won its opening match against Croatia. But one thing that has not happened since 1970 is happening now: some people are saying that will not cheer for the national team or will actually cheer for other teams. There was a famous campaign like this in 1970 when the military regime of the time was trying to profit from the exploits of Pelé, Tostão, Jairzinho and other star players.

It's too early to say how the World Cup will affect Brazil's politics. The previous president, Lula, is still very popular in Brazil, but there is a widespread feeling against the institutions of politics, including political parties and politicians themselves. But this may also be interpreted as a sign of the maturity of our democratic regime, since these feelings are very common among other democracies. And as we have already discussed, including in many other articles, democracy is costly, slow, inefficient, but in the end it is where our freedom lies.

The current president, Dilma Rousseff, is surviving. The election in October will be hard for her, but the bad mood around politics causes problems for every politician in Brazil. If you look at the polls, they show around 70% saying that they want change, but no candidate from the opposition has so far profited from that.

Brazil's vote, Marina Silva's chance

2 September 2014

The airplane crash on 13 August 2014 that killed the Brazilian presidential candidate Eduardo Campos transformed the context of the election to be held 5 October (with a second round run-off, if needed, on 18 October). The sense of tragedy was accentuated by the fact that Campos, whose grandfather was Miguel Arraes, a major left-wing politician from Brazil's northeast and a prominent opponent of the military regime (1964-85), was only 49 years old and seemed to have a bright political future ahead.

Before the disaster, the incumbent Dilma Rousseff was showing 35% at the polls, well ahead of both her rivals: Aécio Neves in the 20s, and Eduardo Campos himself at 10%. A second round thus looked almost certain, and again one that - as in 1994, 2002, 2006, and 2010 - would pit a representative of the Workers' Party (PT) against one from the Brazilian Social Democratic Party (PSDB).

Dilma's predecessor Luiz Inácio Lula da Silva (Lula) fought the first three of these election for the PT, winning in 2002 and then being re-elected in 2006, before Dilma herself - who had worked closely with Lula and was his favourite to succeed him - won against the PSDB's José Serra in 2010. The exception to this recent pattern was 1998, when the PSDB's Fernando Henrique Cardoso won outright in the first round, a success owed to the popularity of the dramatic currency reorganisation (Plano Real) which annihilated the hyperinflation that since the end of the 1980s had inflicted huge debt and social pain on the country.

Campos's death left his running-mate in the vice-presidential spot, Marina Silva, to inherit his candidature. She is a charismatic

environmentalist from the small state of Acre in the western Amazon forest, who is experienced in both politics and activism: she fought with the renowned campaigner for conservation of the forest and indigenous rights, Chico Mendes, became a senator of the Brazilian republic, stood as a presidential candidate in 2010, formed her own party (Rede Sustentável) which however failed to make a breakthrough, and then joined the Campos campaign under the banner of his Partido Socialista Brasileiro (PSB).

The sadness over Campos thus soon mixed with the thrill over Marina Silva's candidacy. The ex-senator had produced a tremendous performance in 2010, winning 18% of the vote (almost 20 million in total) in the first round, against Dilma Rousseff's 46% and José Serra's 32% (Dilma went on to win in the second round with 56% to Serra's 43%). Indeed, one of Marina's most important mottoes is that Brazil should break the polarisation between the PSDB and PT, since she argues that this is blocking the country's progress.

Marina's profile was further raised by the popular protests of June 2013, which targeted political and social problems - such as a discredited status quo and poor public services - that she had highlighted for years. The overall condition of economic crisis, national commotion and political disenchantment revealed by the protests has continued to weigh on Brazilians since the protests. In this situation, Marina's appearance at the head of a presidential ticket rocketed her up the poll ratings: in the first survey after her formal endorsement by the PSB, on 14-15 August, she had 21% support against Dilma's 36% and Aécio's 20% (and in a putative second round, she would defeat Dilma by 47%-43%). Two weeks later, a Datafolha poll published in Folha de São Paulo gives her 34% - equal with Dilma, and far ahead of Aécio's 15% (this time, she was predicted to beat Dilma in the second round by 50%-40%).

But Marina now has to face new challenges. She will be the main political target for the month until the first-round vote, and probably for more four weeks in the second-round. How she reacts to criticism (especially if something "dirty" comes up, which is always possible) will have an impact on her chances. Both the PSDB and

(especially) the PT are strong and well established parties throughout the national territory, far more so than the small PSB; and the main TV channels and (again, especially) newspapers may also come out strongly against her. In her favour, though is strong social-media support such as on Twitter and Facebook.

There are also worries over Marina's messianic character, her links to evangelicals, and her lack of formal political support in Brazil's congress, which could (some argue) make her a very weak president. In relation to the last argument in particular, Marina is saying or trying to show that she has changed: no longer the person who refused to make an alliance with Serra and the PSDB against Dilma in the 2010 second round, no longer radically opposed on environmental grounds to economic development and to Brazil's (very influential) agricultural sector.

Several policy moves have followed. She has recruited respected figures to her economic staff, such as Eduardo Giannetti and André Lara Resende (a co-creator of the Plano Real), and promises to turn the central bank into an independent institution while keeping inflation close to the 4.5% target. She also proposes several reforms: on political institutions and taxation, two very ambitious projects whose importance is agreed but around which there is no consensus; introducing all-day public schools; assigning 10% of GDP to the public healthcare system and digital-democracy initiatives to enhance citizens' political participation and voice; and promoting alternative forms of generating energy rather than focusing on oil production and the Pré-sal.

Marina Silva's rise poses questions to the other parties. The PSDB has been divided in recent elections, with great rivalries among leading figures such as Aécio Neves, Gerardo Alckmin and José Serra. Aécio Neves, representing Minas Gerais - electorally the second biggest state in Brazil after São Paulo - refused to back the efforts of Alckmin in 2006 and Serra in 2010 to become the party's presidential candidate; Serra and Alckmin are now retaliating by denying Aécio the support of São Paulo (and Marina Silva's own vice-presidential candidate Beto Albuquerque has even been pictured wearing a shirt with the name of Geraldo Alckmin on the back). Alckmin, the governor of São Paulo, is

running for re-election there; he is currently above 50% in the polls, so he could win in the first round; Aécio has around 20%-25% support in the state as a presidential candidate.

Aécio is young, and can wait. My judgment is that getting into a government under a Silva presidency would be a way for him to become president in the future. Marina once said that José Serra is someone she would want to work with in her government - a signal to the PSDB that she may need this party (as well as the PSB) to support her. Some Brazilian analysts say that the PT will definitely go into opposition and will not be part of a Marina government.

Marina Silva is now the favourite to win the Brazilian presidency. She is already a historic political figure, and she is attempting to break with a political status quo that has been dominant for twenty years. The latter is characterised by a dichotomy between the PT and PSDB, which in turn expresses the paulistaclass struggle (the PSDB was generated by São Paulo's elite, the PT by São Paulo's working class - São Paulo being Brazil's richest and most industrial state).

Both parties have been very important to the country in the last decades; the PSDB brought economic stability to the Brazilian market, the PT the social programmes that lifted millions out of severe poverty. But two important items on Brazil's political agenda remain precarious: the extremely cynical and sometimes very corrupt Brazilian political dynamics, and the outrageously bad services offered to the Brazilian citizen by the public sector (including in education, healthcare, public security and justice). These were central themes present in the demonstrations of June 2013.

In this light, a great test for a Marina government will be to build political support and a coalition without dirtying her hands, as she promises. Will that be possible in Brazil's current political context?

Marina Silva has the potential to be another big name in Brazil's political history, after Fernando Henrique Cardoso and Lula (whom she served as environment minister). If she does win the election she will have huge political capital in her hands, including internationally.

However, Marina is not Lula. Lula changed to win and govern; Marina is promising that she will change just to win, but will govern

differently, denoting that she will not make alliances with the "old" corrupted politicians but instead promote a "new" politics. So the question is: will this messianic evangelical environmentalist woman change Brazilian politics forever?

Brazil's election surprise

7 October 2014

Brazil's presidential election campaign, already marked by tragedy, continues with high drama after the first-round results on 5 October 2014. The incumbent Dilma Rousseff received the most votes (41.5%). But her main rival was Aécio Neves (33.7%) rather than Marina Silva (21.4%), who had for weeks been competing for first place in the opinion polls. This was a major surprise that has turned many political calculations upside down. It remains now to be seen what the run-off on 26 October will bring.

A major influence in the electoral dynamics was the death of the candidate Eduardo Campos in an aviation accident, which pushed his running-mate Marina Silva into the forefront of the campaign. In retrospect, this stage has for me been a lesson in "the power of the status quo" in Brazil. In a little more than one month, Marina's candidacy was completely destroyed by the two leading parties, the Workers' Party (PT) and the Brazilian Social Democratic Party (PSDB) - especially by Dilma's PT, when polls were predicting Marina's victory in the second round after Campos's death. The attacks were heavy and Marina showed no strength in dealing with them. Instead, she positioned herself as a victim and was unable to give answers to the questions posed by her adversaries. In the end, she could not answer important questions: about her more than twenty years with the PT and her current criticism of the party, her ever-changing positions on issues such as abortion and economics, and her inexperience as an administrator.

In this context, the fashionable idea of a "new politics" revealed an unexpected fragility. Instead, this election turned yet again into a dispute between the PT and PSDB - as had those in 1994, 2002,

2006, and 2010. The only recent exception was 1998, when Fernando Henrique Cardoso won in the first round after the constitution had been changed to allow him to serve another term.

However, the change of mood in the two or three weeks before the 6 October vote was the product not only of the weakness of Marina's "new politics" but also of the obstinacy of Aécio Neves. Before then, Marina had seemed to be the only person who could defeat Dilma, and because of that she was taking a lot of votes from Aécio himself. There had even been rumours that Aécio would resign his candidacy. But as it became clear that the "new politics" was more shadow than substance - and exposed as such by both the PT and PSDB campaigns - votes trickled back to Aécio Neves.

In addition, Aécio did very well in the TV debates, against both Dilma and Marina. When the polls measured a growth in Aécio's support, but also that Dilma would defeat Marina in a second round, Aécio seized the moment and projected himself as the figure who could beat Dilma. The question then became whether he would have time to pass Marina and go to the second round. This proved to be the case, in the end with a very impressive 33.7% (and in São Paulo, Brazil's biggest electoral state and a PSDB stronghold, almost 45% -with 10,152,688 votes against Dilma's 5,927,503).

The second round will thus be a classic dispute between the PT and PSDB. Aécio seems to have the full support of his party, especially in São Paulo, In the governorship elections in this state, the incumbent Geraldo Alckmin won in the first round - thus, by the end of his four-year term, the PSDB will have ruled the state continuously for twenty-four years. The PT is very worried about São Paulo: its candidate for governor, the former health minister Alexandre Padilha, did very badly, even with support from Lula, the former president.

Aécio's vote is based in the rich states of the Brazil's south and southeast, whereas the poorer - but also less populous - north and northeast regions are backing Dilma. The president also has solid support in Rio; and she polled well in Aécio's own state of Minas Gerais, with the two candidates almost equal in the first round.

The PSDB candidate will therefore try to take votes from Dilma in Minas Gerais, as well as gaining more support in the northeast. There is a lot to play for in the latter: in Eduardo Campos's state of Pernambuco, for example, Marina won with 48% of the votes, against Dilma's 44% and Aécio's 5.9%! In this respect, Marina's indication on 7 October of qualified backing for Aécio in the second round - if he agrees to end re-election (which seems to be a consensus) and to pursue an environmental agenda - may help Aécio, especially in the northeast and the big cities. Some analysts had predicted that decision, partly because the PT campaign against Marina was very hard. In the end, she changed her stance from 2010 when she refused to support the challenger José Serra in the second round after herself running against Dilma, and was greatly criticised for it.

Aécio will also try to use corruption scandals, especially those within Petrobras, against Dilma. And he will try to attack the PT and Dilma over economic issues and inefficiencies (such as the allocation of public benefits and infrastructure). With that, he will probably also receive support from conservatives (including evangelicals), who oppose abortion and same-sex marriage. But if he does go to the right - a move that Dilma and the PT will encourage - there is a risk of losing much of Marina's vote. His challenge is to keep the votes of those on both right and left who are tired with the PT. A large portion of the electorate already sees the PSDB as a right-wing party, and is also too left-wing for the PT; many in this category voted for Marina and the PSOL's Luciana Genro in the first round, and will probably opt for Dilma in the second.

In fact Dilma remains a strong candidate. Her vote (41.5% in the first round) may have fallen from previous elections (she received 46.9% in 2010, and her PT predecessor Lula 48.6% in 2006 and 46.4% in 2002) but she has a huge bank of support among the poor and in poor regions. She will emphasise the PT's social programmes in the second round. The president also has improved her campaigning skills, and is in a much better shape as a candidate than in 2010, when she won largely thanks to Lula's huge popularity.

If the PT succeeds in pushing the PSDB to the right, it will be difficult for Dilma to lose. For its part, the PSDB will try to form a

major alliance against a PT that has been in power for twelve years. If Aécio can evade the trap and form a strong alliance against Dilma, he may win. Aécio is in a good moment; he has political capital. Yet the PSDB's recent history is still against him: Serra received 32.61% in the first round in 2010, Alckmin 41.64% in 2006, Serra 23.19% in 2002 (Aécio 33.7% in 2014). Neither became president; not since 1998, and Fernando Henrique Cardoso, has the PSDB climbed above 50% of the vote.

Either way, there are two important signs about the Brazilian political system coming out from this election. The first is the power of the status quo. A little more than a year after the protests in 2013, these results show the amazing resilience and power of political institutions and traditional parties - as well as older political thinking. In a sense this is a very good sign for Brazilian democracy. Despite all the complaints about them, the major political parties still rule Brazil's democratic regime. It seems that Brazil has reached the point where democratic dynamics are both criticised and loved.

Second, the first-round results consolidated the idea of a "long social-democratic period" that started in 1994 with the election of Fernando Henrique Cardoso of the PSDB. Differences between the PSDB and the current PT exist, but they are ones not radical or systemic. The PSDB is a little less statist, the PT a little more. In the real world beyond the campaign, there are no big differences in policy over economic management and social programmes.

This is what some are calling the long social-democratic period. It is very stable and positive for the country. The idea is: if Aécio wins, there will be no big change. This is also the sense of an article I wrote in 2010, of a "left vs left" choice in Brazil. I think this is still the case after the results of this first round. The PSDB is centre-left a little more to the right; the PT is centre-left, a little more to the left. There will be more continuity than change under the next government.

Brazil: the road to 2018

29 October 2014

Two problems and four names emerge from the results of the seventh presidential election in Brazil since the return to democracy in 1988.

On Sunday 26 October, more than 110 million Brazilians went to vote after an eventful campaign. The drama continued into the count, which was open almost until the last ballots were inspected. In the end the incumbent president, Dilma Rousseff, was awarded victory and another four-year term against the PSDB candidate, Aécio Neves. Dilma received 54,501,118 votes (51.64%), and Aécio Neves 51,041,155 (48.36%).

Brazil now faces challenging economic and political problems. In the economic field, the country is experiencing low growth and rising inflation. The IMF's World Economic Outlook (October 2014), for example, expects a GDP growth of just 0.3% in 2014 (a reduction from 1.3% in the previous report), and only 1.4% in 2015. On inflation, the IMF expects a rate of 6.3% in 2014 and 5.9% in 2015 (compared to 5.9% and 5.5% in the last report). How Dilma Roussef's "developmentalist" political character will deal with these signs is a question-mark over the next four years.

In the political field, things will also not be easy for the president. She will probably have to grapple with the current corruption scandal at the state-controlled oil company Petrobras for most of her second term. This promises to be another *mensalão* - the series of illegal payments to senior politicians and advisors, many of them close to then-president Lula, which overshadowed his second term. A repeat would have terrible consequences for the dynamics of the Brazilian political

agenda. In addition, a very fragmented and conservative Congress was elected, with for example eighty evangelicals' representatives in the Chamber of Deputies, and three powerful PSDB politicians - José Serra, Aécio Neves and Tasso Jereissati - back in the senate.

Since this will be Dilma Rousseff's last period in office, the election is an opportunity to see the possible shape of Brazil's political landscape in the path to 2018. Here the name of the former president Luis Inácio Lula da Silva stands out as one to be remebered from the campaign. The popular Workers' Party (PT) leader has shown that he still has a big reserve of political capital, especially in the northeast, where he was decisive in ensuring Dilma's victory. Lula has run five times for president (1989, 1994, 1998, 2002 and 2006), then worked hard in 2010 and 2014 for Dilma Rousseff. Will he seek a "last hurrah"? He will be 74 years old in 2018 and there are some doubts about the condition of his health, factors which may stand against him running in another election.

Besides Lula, another PT name emerged shining from this election: Fernando Pimentel, the elected governor of Minas Gerais. There, in Aécio Neves's own state, Pimentel won in the first round, becoming an important asset for Dilma in the next four years. In this sense, Minas Gerais may be a clear target for high federal investments in the 2014-18 period.

Aécio Neves himself is of course also a name to be remembered from this election. With more than 50 million votes, Neves became the best performing PSDB candidate since former president Fernando Henrique Cardoso. He may want to place himself as the opposition leader in Brazil's senate and try to maintain some visibility until the next election.

Aécio's probable rival for the party nomination next time will be Geraldo Alckmin, the governor of São Paulo. After being re-elected in the first round of the latest election, consolidating a two decades PSDB rule over the biggest state in the country. Alckmin also showed strength in backing Aécio's performance in São Paulo, where the candidate had more than 15 million votes against Dilma's 8.5 million. In Alckmin's favour is the fact that Aécio's candidate for governor of Minas Gerais

lost to Fernando Pimentel in the first round. The PSDB candidate also lost to the president in his own state, where he had been governor for eight years; Dilma had 5.9 million votes in Minas Gerais, against 5.4 million for Aécio Neves.

Hence, the four years ahead promise dramatic developments for Brazil's political environment, with economic and political turbulence that will probably make it a difficult period for Dilma Rousseff. These four names - Lula and Fernando Pimentel on the PT side, Aécio Neves and Geraldo Alckmin on the PSDB one - call the attention now as important actors within the emerging political dynamics. They all also seem to represent more a continuity of the "long social-democratic moment" started in 1994 and constituted by the PT-PSDB contest, than a fundamental break with it.

Brazil: back to the future

11 October 2015

An array of problems - economic, social, moral, environmental - is testing the political limits of Brazil's state-society relationship.

Even though things can always get worse, it is not easy to imagine a worse situation than today's for the Brazilian president Dilma Rousseff and her PT (*Partido dos Trabalhadores* / Workers' Party). A host of troubles - corruption scandals, the rise of inflation and unemployment, recession, a radical devaluation of the currency, a fiscal crisis, the country's downgrading by Standard & Poor, and the threat of an impeachment by the Brazilian Congress - must make Rousseff miss the golden years of her mentor and predecessor Luis Inácio "Lula" da Silva. It is just six years ago that the statue of Christ the Redeemer in Rio de Janeiro, a national icon, was skyrocketing the cover of the *Economist*, beside the title: "Brazil takes off".

To provide an idea of the situation, the Brazilian polling institute Datafolha, which since 1990 has been measuring the approval ratings of Brazil's presidents, estimated Dilma Rousseff's at an astonishing low of 8% in August 2015 (in March 2013, her rating was 65%). Moreover, 71% of those interviewed said that her government is "bad" or "very bad" for the country. The August figure is a nadir, at least since the military dictatorship was in power (1964-88), and worse than when the unpopular Fernando Collor de Mello was impeached in 1992; just before his departure from the presidency for corruption scandals, he had an approval rating of 9%.

This is a complete reversal for Dilma Rousseff, Lula and the PT alike. At the end of his second term, just before delivering the office to his protege Rousseff in January 2011, Lula could celebrate an approval

rating of 83%, the best for any president since democracy returned to the country in the late 1980s.

What has happened since 2011? Why is the country experiencing such a traumatic moment, so soon after appearing to fulfil the hopes that it could overcome forever its unfair social and economic inheritance?

This article addresses these questions by putting them in the context of Brazil's recent history. My take is that the origins of the current crisis come from the simultaneous operation of economic prosperity, social improvements, and the expansion of the public sector with no structural reforms in Lula and PT's administration since 2002, and this is, in a sense, part of the ideological dynamics started in the end of the 1980s that constitutes a tradition which debates the Brazilian state and the country itself after the military regime, the cold war and hyperinflation.

Behind the prosperity

Lula's enormous popularity was not by chance. During his eight years and two terms on office from 2002-10, the country experienced major improvements including strong growth rates. Brazil's GDP grew by an average of 4% annually from 2002-20, compared with 2.1% from 1981-2002; while GDP per capita rose during Lula's presidency by an average of 2.9% per year, as against 0.3% from 1981-2002. This fantastic economic performance was responsible for propelling the country into a new position as the eighth biggest economy in the world in 2010. It also altered the relative proportions of Brazil's social classes: the lower classes category was reduced in size (from 45% to 30% of the population), and the middle classes expanded (43% to 53%).

Besides that, unemployment was reduced from 13% in 2003-04 to 6% in 2010. Inflation was controlled, falling from 12% a year at the end of 2002 to 5% a year by the end of the decade. The Brazilian currency appreciated, with $1 costing 3.53 *reais* in December 2002 and 1.72 *reais* in November 2010, while the country's international reserves jumped in the same period from $37 billion to $286 billion. These indices were the background to social programmes such as the famous Bolsa Família, a direct income transfer to very poor families, which started

in 2004 and now helps almost 14 million families in Brazil, and the Prouni (*Programa Universidade para Todos*), offering scholarships for low-income students to attend Brazilian private universities, responsible for 2/3 of undergraduate vacancies in the country or 5 million students. At least 20% of those nowadays receive Prouni scholarships.

Alongside this economic prosperity and the social programmes, however, the expansion of the public sector and the neglect of structural reforms, once again, in the Brazilian history, accumulated problems for the future. To a great extent, the current crisis can be seen as their consequence.

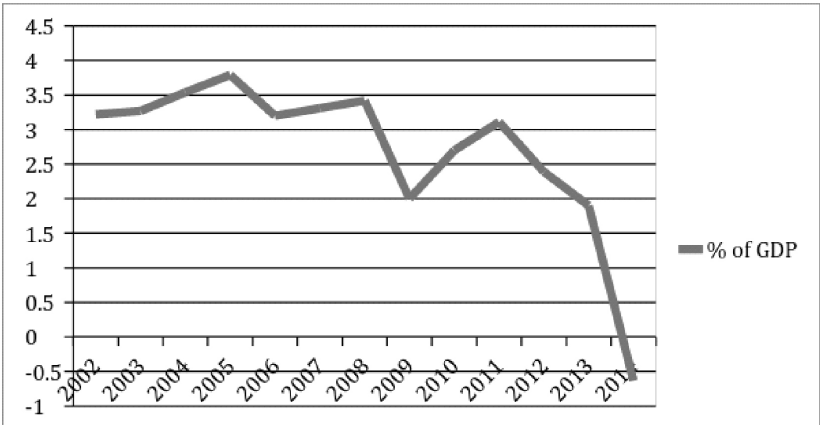
The other side (or how not to read John Maynard Keynes)

Together with economic reforms and the social programmes, Lula and the PT began in 2002 to expand the Brazilian public sector. This can be summarised by a series of statistics, available from the *Ministério do Planejamento/Secretaria de Gestão Pública*. In the 1995-2002 period, under the presidency of Fernando Henrique Cardoso (from the *Partido da Social Democracia Brasileira* / PSDB), the number of employees in the executive branch diminished from 630,000 to 530,000. In 2003-13, the number rose again by 130,000 employees, reaching 662,000.

Under Lula's presidency, employment in the executive branch grew from 485,000 to 565.000, people hired by direct appointment rose from 18,300 to 21,700, and those working in state firms from 339,000 to 458,000. Dilma Rousseff's presidency continued this trend: from 2010-13 alone, as many as 40,000 more were hired by state firms in Brazil.

A look at the results of the Brazilian public sector, without interest rates, from 2002-14 (Figure 1 below), makes it easy to perceive the dangerous track. It is worth noting the low peaks of 2009, linked to the international economic crisis of 2008-09 and the anti-cyclical incentives, and of 2014, the electoral year when Dilma Rousseff defeated the PSDB's opposition candidate Aécio Neves by fewer than 3 million votes (or 3.28pp). Again not by chance, the president is being assailed by lawsuits concerning her government's fiscal responsibility during 2014, already rejected by Brazilian federal auditors on 7 October.

Revenue - Expenditure (without interest rates) of the Brazilian public sector



Source: Banco Central do Brasil

The economic consequences of this public expenditure are also clear: inflation and the depreciation of Brazil's currency. The official measure of inflation, the *Índice Nacional de Preços ao Consumidor Amplo* (IPCA) was 5.91% in 2013, 6.41% in 2014, and 7.21% in the period January-August 2015 - with the expectation that it would be around 9.5% by the end of the year. As for the exchange rate, the cost of $1 was on average 1.9 *reais* in 2012, 2.1 *reais* in 2013, and 2.3 *reais* in 2014, with a jump to 4 *reais* in October 2015.

In addition to growing public expenditure, the lack of reforms has had a deleterious effect. When Lula was elected for the first time in 2002, after three unsuccessful campaigns (in 1989, 1994, and 1998) he and his PT had promised to effect a range of reforms: of the political system, the tax system, the public-pension system, and employment legislation. In his first inauguration speech, President Lula said: "No difficult moment will stop me doing all the reforms that the Brazilian people need". Eight years later, when passing the presidency to Dilma, Lula was also transferring to her the responsibility for all these changes. Those on tax, pensions and politics are at the heart of the current crisis.

Moreover, there is corruption. During Lula's government it was the *mensalão*, a monthly allowance that, it was discovered, the PT was paying to small parties represented in the Brazilian's Congress

in exchange for their support. High-level figures long associated with Lula's party, such as José Dirceu and José Genoino, were condemned in this process. As if this were not enough, the *Petrolão* arrived during Dilma Rousseff's presidency: another major corruption scandal, involving money being siphoned off large contracts made between the state oil company Petrobras and big Brazilian firms, then distributed both to Petrobras directors and politicians for favouring these firms in the contracts. Some of the money received by politicians would also go to parties and campaigns, including the PT and probably also Dilma Rousseff's campaign in 2014.

These two big corruption scandals tarnishing the PT and some senior figures of the party were a major disappointment in the Brazilian political world, for the PT - precisely as a "workers' party" - has always designated itself as "different", the one that would not be corrupt. True, the more critical citizen has a right to say that the PT has not invented corruption in Brazil's political context, and to suspect that while there has always been corruption in Brazil, only now - when a "workers' party" is in charge - does Brazilian justice seem to act vigorously against it. Yet none of this justifies what was done, and investigations and condemnations should go on until the end. Otherwise, the country risks a complete lack of institutional legitimacy.

To complete this sobering assessment, the expected transformation of Brazil's public health and education systems did not occur. The country continues to experience serious problems in its public hospitals and schools, which in their great majority do not have the basic conditions to provide even minimum levels of quality service. Besides that, violence continues all over the country, especially in the biggest Brazilian cities such as Rio de Janeiro, Recife, São Paulo and Salvador. Brazil's public sector absorbs almost 40% of the country's GDP in taxes, yet it does not guarantee the Brazilian citizen even the core benefits of basic education, sanitation, healthcare, and public safety.

A history rewound

Hence, the origins of Brazil's present crisis lie in the heart of Lula's presidency, the PT's administration and the country itself, i.e., the

simultaneous operation of economic prosperity, social improvements, and the expansion of the public sector with no structural reforms. When prosperity gave way to a more difficult economic scenario (as in the financial crisis of 2008-09) and to a more problematic political scenario for the PT (as in the 2014 presidential election), growing state expenditures and the need to keep social improvements in place made the situation unsustainable. And with this, in a sense, we are back to 1989 and the ideological dynamics started in the end of the 1980s that constitute a tradition which debates the Brazilian state and Brazil itself as a country, after the military regime, the cold war and hyperinflation.

However, many consequences flow from this whole context of economic, political, moral, and also environmental crisis (the last evident in increased shortages of water in urban areas, alongside floods and unprecedented tornados in the Brazilian midwest). Two peculiar ones are worth noting.

The first is the emergence of a "new right" conservative position, which is already very strong in the Brazilian Congress, uses digital social media in an efficient way, and attracts other parties and people in a broader anti-PT movement, sometimes by speaking at the limits of prejudice and segregation. It captures liberalism within the old limited notion of a "minimum state", and mixes this with conservative moral values and social policies (as in the matter of maioridade penal, the age of criminal responsibility). This may be seen as an "Americanisation of Brazilian politics", with a conservative side assuming its position on the right.

The second clear effect runs against democracy itself. Latinobarometro 2015 shows the Brazilian level of "satisfaction with democracy" to be the lowest in Latin America with the exception of Mexico. Only 21% of those consulted said they were satisfied with democracy, while the Latin American average is 37%. These numbers, the current approval ratings of President Dilma Rousseff, and the prospect of an impeachment process with great institutional costs put Brazilian democracy in one of the most difficult moments since the end of the military regime in the country.

Acknowledgments

I am deeply grateful to Anthony Barnett, Rosemary Bechler, and everyone at openDemocracy, specially my former editor David Hayes. Thanks also to Prof. Fernando Sá, Felipe Gomberg, Livia Salles and everyone at Editora PUC-Rio.