

The Dynamics of Chronic Poverty and Social Exclusion in Brazil: Which Way After Lula Victory?

Suranjit Kumar Saha

School of Social Sciences and International Development
University of Wales Swansea
United Kingdom

and

Marcos Costa Lima

Universidade Federal de Pernambuco
Recife, Brazil

1. Introduction

Brazil is a deeply unequal society, probably the most unequal in the world. It is fragmented along regional and racial lines as well as extreme inequalities in the distribution of income. It is also a giant of an economy, the largest in Latin America and the ninth largest in the world. It alone accounts for 36% of Latin America's population and 40% of its GDP.

We believe that endemic or chronic poverty stems from the fabric of an unjust and unequal society in which original building blocks of injustice and inequality were created by the forces of history and were later embedded in enduring structures and institutions of society. Even after these structures and institutions are ostensibly democratised and modernised and legal systems are cleansed of open injustice, vestiges of the past continue in the form of widely accepted social norms and values and extreme inequalities in status and ownership of property. Past injustices are thus constantly reproduced in a silent and invisible, and yet in an extremely effective way. A Brazilian commentator describes this process in an eloquent way, in the context of Brazil's history of slavery:

The racist culture has its roots in a history of which the four-fifths is made up of slavery. [...] Changing legal and socio-economic structures is much easier than changing a culture; it survives the structures from which it sprang like those stars whose light we continue to see even after they have long been extinct (Freitas, 1995).

Combating chronic poverty therefore has to be a political process. The best laid plans and programmes to combat poverty, particularly poverty of a kind which is embedded in the pours of history and the structures of society constantly reproduced and passed on from generation to generation, cannot be implemented unless a political space is created to do so. Brazil did not have such a political space until October 2002. The elite-led governments, based on elite-led political parties, which had run the country until then, just could not and would not have carried out any such programme. The left's victory in the 2002 election in Brazil was nothing short of historic. For the first time in the political history of that country, not only was Luiz Inácio Lula da Silva, a candidate of the *Partido dos Trabalhadores* (Workers' Party or PT), a mass based left party, elected as the president of the country, the PT also emerged as the single largest political party in the Chamber of Deputies, the Lower House of the Congress, pushing the right-wing *Partido da Frente Liberal* (PFL) to the second, and the broad based party of the centre, *Partido do Movimento Democrático Brasileiro* (PMDB), to the third place. This paper seeks to examine the extent to which the new PT government headed by Lula is committed and politically prepared to effectively pursue pro-poor policies and combat Brazil's chronic and endemic

poverty and social disparities.

The key lines of enquiry of this paper are:

- ?? to determine the capacity and the political preparedness of the Brazilian state under Lula to carry out the much needed second generation of reforms;
- ?? to understand the nature of the current coalition of social forces represented by the Workers' Party and its allies in the Congress and its implications for the policies that the Lula government might adopt in delivering on its election promises of creating a more equal society in Brazil; and
- ?? to examine the policy options it has to balance its international commitments to the World Bank, IMF and other foreign creditors and its commitments of combating poverty.

The paper is organised in seven sections. In Section 2, we examine the nature of the currently dominant discourses on poverty including Hulme's anchor paper for this conference. In section 3, we present some basic facts about the nature and extent of chronic poverty in Brazil and trace its historical roots. In section 4, we argue that the emergence of the PT as a political party represents a noticeable departure from the traditional elite-driven political culture of Brazil and a significant move towards grassroots based participative democracy. We also point out in this section that there exist factional splits within the party which might reduce its ability to function effectively as an agency of change. In section 5, we analyse recent shifts in the relative strengths of the left, the centre and the right parties in the federal Congress. In section 6, we look into the contents of the PT's campaign manifesto of 2002 with reference to their implications for combating poverty. In the concluding section 7, we present some of the early indications of the likely future scenario.

2. The dominant discourses on poverty and the pro-poor alternative

In a recent paper, David Hulme has defined chronic poverty as "occurring when an individual experiences significant capability deprivations for a period of five years or more". This category is further split into two sub-categories of 'always poor' and 'usually poor' and is distinguished from two other exclusively defined categories of 'transient poor' and 'non-poor'. The reference concept for defining all these categories and sub-categories is the poverty line which, as we are going to show in this paper, is not only extremely fluid and imprecise but can also lend itself to be used as a cover for an anti-poor and pro-rich policy to masquerade as pro-poor. Hulme lists four constitutive elements to his definition of chronic poverty. First is the duration. He points out that he really refers to people "who remain poor for much of their life course, and who may 'pass on' their poverty to subsequent generations". The five-year stipulation is rather arbitrary, he admits. Second, persistent poverty is multi-dimensional and cannot be expressed in terms of income and consumption alone. There is nothing new in this point. The concepts like quality of life index and human development index are now well established in the literature. Third, the unit of analysis should be the individual and not the household. This may be desirable in some cases (e.g. prevailing cultural norms producing and reproducing gender and inter-generation variations in quality of life within the household) but is extremely difficult to practice in operational terms. Fourth, chronic poverty should be studied not only in absolute but also in relative terms. This is an important point but will make cross-country studies extremely problematic.

The greatest problem with the kind of discourse that Hulme's paper in question represents is that it regards poverty as an individual- or household-centred phenomenon and insulates it from such dynamic processes as the distribution of power in a society which regulates rights and entitlements of individuals and households. These rights and entitlements, in turn, determine the extent of access they

have to life sustaining and quality imparting incomes and other enabling conditions. Furthermore, it distracts intellectual focus of inquiry from what is emerging as the key determining cause of chronic poverty of millions of individuals and households in developing countries, and increasingly, growing ranks of marginalised and disenfranchised under-classes in the inner city ghettos in industrialised countries, i.e. the post-Reagan and post-Thatcher global order based on the neoliberal doctrine.

Amartya Sen had revolutionised conventional economics, and with it the discourse on poverty, by introducing the concept of entitlement way back in 1981. Sen had shown that plentiful availability of goods and services in the markets does not by itself mean that all or even most people will have access to them. Goods and services will go where the demand is and demand is not governed by people's needs but by their ability to pay the prices they are offered at. People may starve in the midst of plenty of food and famines are caused not because of shortage of food but because large segments of population are denied access to it by the way societies and economies are organised. "The history of famines as well as of regular hunger is full of blood-boiling tales of callousness and malevolence", he points out (Sen, 1981, p.40)."

The entitlement approach to development will, therefore, help focus attention on the need for the social reconstruction of the markets. Endemic poverty is caused not just by the shortage of goods at the level of the household or in the market but by people's inability to make demands for them, or in other words, inability of earning an adequate income in relative price terms for paying for the things they need.

Once we realise this, the locus of the cause moves from the individual and the household to those ground rules of society which determine differentiated levels of access that different sections people have to income earning opportunities. Attention then shifts to the structure of asset ownership and various chains of access to these assets in society in general as well as in local areas. The need for correcting built-in imbalances in this structure and re-installing those links of the access chains that are currently missing then begins to become more obvious.

More recently, Sen links the concept of development with that of freedom. He argues that freedom has a constitutive as well as an instrumental role in development. By 'constitutive' role he means that freedom needs to be regarded a primary goal in itself in the development process. By 'instrumental' role he means the different ways freedom can act as instruments of development. Five different types of instrumental freedoms are identified: (i) political freedoms, (ii) economic facilities, (iii) social opportunities, the basic key to opening these up being literacy, (iv) transparency guarantees, which includes financial accountability and prevention of corruption and (v) protective security, i.e., safety nets to guarantee that no one will be reduced to abject misery and economic conditions which amount to denial of life Sen, 1999, 38-40).

Amartya Sen's entitlement theory and his more recent elaboration of development as "a momentous engagement with freedom's possibilities" (Sen, 1999, 298) are probably the only credible challenges today to the neoliberal orthodoxy which has continued to remain the dominant ideology of development since the 1980s. These writings provide us with a theoretical framework for situating our ideas on poverty and enable us to fight it in an effective way.

A classic case of policy formulation for combating poverty within the neoliberal framework of thinking is the UK government's latest White Paper on International Development entitled *Eliminating World Poverty: Making Globalisation Work for the Poor* (DFID, 2000). It recognises that the effects of globalisation on the poor are not predetermined. They could be positive, creating opportunities for the poor to climb out of poverty, or negative, pushing them into greater destitution. The crux lies in how globalisation is managed.

According to DFID, the essential components of good management of globalisation are (i)

promoting effective governments and efficient markets in developing countries, (ii) investing in people - in health, education and information technology, and ensuring that the poor have access to them, (iii) attracting greater inflows of private financial capital, encouraging at the same time greater corporate social responsibility of the private sector, (iv) getting trade to benefit the poor, (v) preventing environmental deterioration, (vi) greater focusing of aid resources on combating poverty and (vii) strengthening the international system, because “where there are no rules, the rich and powerful bully the poor and the powerless” (DFID, 2000, 20).

This agenda looks neat, tidy, incontestable and even compassionate for the world’s poor. But the problems lie in the detail, and more specifically, in the key omissions in the detail.

Investing in people – in health, education, capacity building in technological skills and information technology, for example, is sound and unexceptionable counsel. But Latin American countries are now spending many times more in debt servicing, dividends, royalties and technology licensing fees to multinational companies and fees to developed country consultants than on ‘investments’ on their own people (Saha, 2002). All of these countries are struggling with massive current account and trade deficits in their international transactions and budget deficits in their domestic economies. They have had to introduce swinging cuts in their public expenditure levels, much of which fell on budgets relating to health, education and combating poverty, because of the conditionalities imposed on them by the IMF through the structural adjustment and stabilisation agreements that they were forced to sign during the 1980s and 1990s. None of these find mention in DFID’s 2000 document but these are precisely the reasons which are seriously jeopardising the abilities of developing countries to invest in their own peoples. To turn a blind eye to this ground reality and dish out empty advice on investing in people seems disingenuous and also less than intellectually honest. The political and intellectual leadership in most developing countries understand the importance of investing in people and are in need of no lecture on this. What they are in need of are resources, which the developed countries are taking away from them through the diverse channels of outflows which globalisation is opening up and speeding up. The DFID document provides no clue on how these flows could be reversed.

DFID’s ideas on how we should “re-think our approach to the mobility of people” are even stranger. It says nothing about the draconian immigration controls practised by developed countries against the movement of labour from developing countries – the ‘economic migrants’. Its main concern is that firms and consultants of developed countries should be able to “provide technical assistance in design, production and packaging to firms” in developing countries. The object here clearly is to boost business opportunities for UK based firms and individuals. DFID also shows a lot of concern for protecting the interests of developed countries through strict enforcement of their property rights within the framework of the WTO Agreement on *Trade-Related Aspects of Intellectual Property Rights* (TRIPs), but only limited concern for the incorporation of the indigenous knowledge pools of the people of developing countries and their indigenous genetic resources within the framework of this regime (DFID, 2000, 45).

On the subject of ‘harnessing capital’, while on the one hand DFID holds that “the attraction of capital inflows is an essential element of a strategy to speed up sustainable development and poverty reduction”, it acknowledges on the other hand that these inflows have tended not to help the poor. It nevertheless counsels developing countries to take necessary measures for attracting foreign capital, stressing the need for prudence and caution in doing so. The overall impression one gets from reading through this rather ambivalent and verbose text is that concern here is more for creating a stable and profitable business environment for developed country investors in developing countries than for benefiting the poor of the latter countries from these investments.

3. Extent of poverty of poverty in Brazil and its historical roots

In 2000, Brazil's per capita income of US \$ 7,300 in purchasing power parity dollars was fourth highest in South America, after Argentina, Chile and Uruguay. That per capita income was more than three times higher than that of Bolivia, two and a half times that of Ecuador, 64% higher than those of Paraguay, 26% higher than that of Venezuela and 20% higher than that of Colombia. Despite its upper middle income status, 7 million Brazilians earned less than a dollar a day in 1999; 29 million earned less than two dollars a day. Brazil's National Statistics Office (*Instituto Brasileiro de Geografia e Estatística*), provides income distribution statistics in terms of fractions or multiples of statutory minimum wage, which was 180 *reais* per month per capita in September 2001, equivalent to US\$ 70 at the prevailing exchange rate. That is a level of income of desperate poverty, no Brazilian can meet even the most basic of needs at that level, given the prevailing cost of living indices. It is in fact a level of destitution. In September 2001, 39 million Brazilian men and 49 million Brazilian women above the age of 10 earned less than that income; i.e. 46% of men and 69% of women. Even worse is the fact that 22 million men and 38 million women, i.e. 33% and 54% of all men and women respectively, in fact earn less than half of this statutory minimum wage (calculated by authors from IBGE, 2001).

Table 1. Scale of poverty and of social inequality in South America

Countries	Per capita income (PPP US \$)	% of pop earning below \$1 a day (PPP US)	% of pop earning below \$2 a day (PPP US)	Gini index	% share of income with the richest 10% of pop	% share of income with the poorest 10% of pop
Argentina	12,050	NA	NA	NA	NA	NA
Chile	9,100	4.2	20.3	56.5	46.1	1.4
Uruguay	8,880	<2.0	6.6	42.3	32.7	2.1
Brazil	7,300	5.1	17.4	60.0	47.6	0.9
Colombia	6,060	11.0	28.7	57.1	46.1	1.1
Venezuela	5,808	14.7	36.4	48.8	29.9	1.3
Peru	4,660	15.5	41.4	46.2	35.4	1.6
Paraguay	4,450	19.4	38.5	59.1	46.6	0.7
Ecuador	2,910	20.2	52.3	43.7	33.8	2.2
Bolivia	2,360	11.3	61.4	42.0	31.7	2.3

Source: Per capita income column = World Development Report, 2002; other columns = World Development Report, 2000/01

Brazil's Gini index in 1996 was 60%. Compared with 36.1% of India, 37.8% of the UK and 40.8% of the USA, this is an index of an extremely unequal society. Only the tiny and war-torn West African countries of Sierra Leone and Central African Republic with nearly collapsed civil societies, had slightly higher Gini indices of 62.9% and 61.3% respectively. In 1996, nearly half of the national income went to the richest 10% of the Brazilians; the poorest 10% had a share of only 0.09% per cent. Over the last quarter century, the distribution profile of income in the Brazilian society has remained broadly the same. This is a profile of extreme concentration of wealth at the top end and deep poverty at the bottom end.

Many of Brazil's quality-of-life indicators are also lower than those in other South American

countries which are much poorer than it. Its life expectancy at birth is lower than those in the much poorer countries of Colombia, Venezuela, Paraguay, Peru and Ecuador. Percentage of its people who are not likely to survive until the age of 40 is also higher than the corresponding percentages in Colombia, Venezuela, Paraguay and Ecuador. It is the same as that in Peru, although the latter country's per capita income is 36% lower. Its infant and child mortality figures are also much higher than those in Colombia, Venezuela, Paraguay and Ecuador; maternal mortality figures are higher than Colombia, Venezuela and Ecuador. Its adult literacy rate is the lowest in South America with the exception of Bolivia. Clearly, the benefits of Brazil's wealth are not reaching vast sections of its people.

Table 2: Health implications of poverty

Countries	Life expectancy at birth	% of people not expected to survive to age 40	Infant mortality rate (000 live births)	Under 5 mortality rate (000 live births)	Maternal mortality rate (000 live births)	Mal-nutrition in children under 5 (%)	Births per woman	Public exp. on health (% of GDP)
Argentina	73.1	5.5	19	22	0.38	2	2.6	4.0
Chile	75.1	4.4	11	12	0.23	1	2.2	2.4
Uruguay	74.1	5.0	16	19	0.21	4	2.4	1.9
Brazil	67.0	11.3	36	42	1.60	6	2.3	3.4
Colombia	70.7	9.8	25	30	0.80	8	2.7	4.9
Venezuela	73.0	6.4	21	25	0.65	5	2.9	3.0
Paraguay	70.0	8.6	27	33	1.90	NA	3.9	2.6
Peru	68.6	11.3	43	54	2.70	8	3.1	2.2
Ecuador	69.7	9.4	30	39	1.60	NA	2.9	2.5
Bolivia	61.8	18.0	66	85	3.90	8	4.1	1.1

Source: UNDP, 2001.

Lima has discussed the historical roots of Brazil's chronic poverty in a recently published book (Lima, 2002). Only some of the landmarks of that history need to be mentioned here. A key feature of the early phase of the founding of Brazil was of course genocide and forced enslavement of its indigenous population. There existed a considerable degree of intellectual support for this process among the European settlers until the early parts of the last century. A report in the German language newspaper *Der Urwaldsbote*, published from Blumenau in Santa Catarina State, for example, had this to say on this matter:

Sentimental points of view, that consider unjust and immoral the expeditions to hunt down Amerindians, are inopportune (quoted in Willens, 1980, p. 83).

In Brazilian historiography there is a magnificent but little-known book on the social history of Brazil's hinterlands (Leonardi, 1996). It chronicles the unreasoned violence employed by the colonisers and exposes some of the myths of official historiography, which tried to paint a picture of 'racial harmony', of a peace-loving, egalitarian and non-racist Brazilian society based on a 'conciliatory temperament' of the Brazilian elite. This book, entitled *Entre Árvores e Esquecimentos*, demonstrates the various shades of prejudice and the negative images of the Amerindians held by the 19th and early 20th century historians of Brazil (e.g. Varnhagen, Affonso Taunay, Rocha Pombo and Oliveira Vianna, among others) who justified and defended the use of violence and the treatment given to the indigenous peoples. One notable exception was Capistrano de Abreu. He criticised the violence of the system, the greed of the colonists, the venal governors and the incoherent legislators who laid the foundations of

Brazilian society “*on blood; blood was the mortar keeping the edifice together.*” (cited in Leonardi, 1996, p. 32).

After the decimation of the Amerindians came the turn of the slave trade, bringing large number of slaves from Africa to work on sugar and coffee plantations. Between 1600 and 1870, 3.6 million African slaves had already arrived in Brazil (Curtin, 1969, pp 3, 15 and 265-9). By 1789, black and mixed race slaves constituted 48.7% of the country’s population, free blacks 12.5% and Amerindians 7.7%. Only 31.1% of the population was white, but they had all the wealth and power (Conrad, 1972). Brazil’s history of slavery has created a durable foundation for the perpetuation of poverty in the country. When the black slaves were freed in 1889, nothing was done to rehabilitate them in society as a free wage-earning labour force. Instead, a programme of ‘whitening’ the population was launched which involved encouraging mass immigration from Europe. These newly arrived immigrants were given all the jobs in the newly emerged labour market. The black Brazilians were mainly shut out from this labour market except at the lowest paid level. They were also denied access to all training and opportunities of skill-acquisition which could have enabled them to participate in this labour market. The racial prejudice against the black Brazilians proved to be even more durable than slavery, from which it stemmed. While the immigrants from Europe kept flooding into Brazil and taking up jobs which freed slaves could have done or been trained to do, the black and mixed-race Brazilians were allowed to sink into, and stay in, ever-deepening poverty.

Joaquim Nabuco’s masterpiece, *O Abolicionismo*, first published in 1883, provides a vivid account of how slavery produced widespread misery as well as immense wealth for the few. On the one hand: “the vast regions exploited by colonial slavery” that had an aspect of “unique sadness and abandonment: in them there is no communion between man and the land, no sign of permanent housing or of natural growth. The past is visible but there is no sign of any future.” (ibid, p.106). On the other there was “a spectacle that deceived many. The houses, the so-called palaces of the landed aristocracy in Bahia and Recife, the uniforms of the flunkys, the litters, the sedan chairs, the noble coaches mark the flourishing monopoly of cane.” (ibid, p. 108).

Abolition of slavery in 1888 freed Brazil’s black and mixed race people from legal servitude, but did nothing to free them from the degrading social and economic conditions it entailed. As Fernandes points out, abolition came at a time when black people were doing lowly or undesirable jobs. Despite a strong humanitarian character, the Abolitionist Movement saw black people more as objects than as subjects of the movement. “Hence, what could be termed the abolitionist conscience ‘belonged’ to white people” (Fernandes, 1968, p.115). This would seem to explain why neither structural measures, such as an agrarian reform, nor compensatory measures, such as education or social security, which might ensure minimal protection for former slaves working on the land or in domestic service with low self-esteem, were adopted. “Slavery deprived black people of nearly all their cultural heritage and socialised them only for narrow social roles within which their personality developed, whether slave or free. As a result, Abolition thrust them into the ‘arena of free men’ without them having the psycho-social and institutional resources to adjust to their new position in society.” (ibid, p. 117).

A key system which kept the vast majority of Brazil’s black and mixed race people in perpetual poverty, and its transmission down successive generations, was the ownership of large landed estates, the *latifundia*. In his classic work, *Quatro Séculos de Latifúndio*, Alberto Passos Guimarães (1981) identifies three distinct periods that characterise latifundia in Brazil, at least until 1964: (i) the colonial era, covering sugar plantations and cattle ranches; (ii) the post-independence period, with coffee latifundia and (iii) the sugar mills. For this author, the disintegration of the latifundium structure began a few years after the abolition of slavery, with its second inflection caused by the coffee crisis between 1929 and

1933. After that time, the systematic substitution of arable farming by pasture began, which really was a saving grace for owners of large properties. In the state of Bahia, for instance, the income generated by livestock raising between 1947 to 1956 rose from 20% to 35%. During this period the presence of foreign meatpackers such as Anglo, Armour, Swift, and Wilson also grew. These started to dominate large tracts of land (ibid, p. 188).

Between 1950 and 1960, capitalist production in agriculture began developing with the gradual incorporation of technologies, increasing the number of tractors and the use of chemical fertilizers. During this period, the number of tractors in agricultural establishments rose from 8,372 to 63,493 – actually very little for the amount of arable land in the country, but nevertheless a sevenfold increase. Most of the expansion took place in the states of São Paulo and Rio Grande do Sul, which accounted for 75% of the total (ibid, p.189). Between 1947 and 1968, the share of agriculture in total national income fell from 31.7% to 22.7%. (Oliveira, 1977, p. 43). Around the 1970s the de-ruralization process of the Brazilian population began in earnest. In 1950, Brazil had 50 million inhabitants, 64% of them living in the countryside; but by 1980, the population had risen to 119 million, with only 32% living in rural areas.

Regarding the distribution of rural income, in 1970 the poorest 20% of the economically active population received 5% of total agricultural income, while the poorest 50% got a little more than 22%. By the 1980s, the first 20% received less than 4% of agricultural income and the poorest 50%, only 15%. By the same token, in 1970 the richest 5% in the rural area detained 24% of agricultural income, jumping to 44% in 1980. These numbers reveal the tremendous inequality to be found in rural Brazil.

In 1992, INCRA (National Colonization and Land Reform Institute) counted five million rural properties in Brazil, covering a total of 639 million hectares. Of these, 1,219,167 properties covering 424 million hectares were classified as *latifundia*. Properties were considered as such if they were larger than 1,500 hectares in the North of the country; a thousand hectares in the Centre-West; and 500 hectares in the Northeast, Southeast and South. In other words, 24.3% of all the rural properties in Brazil are classified as *latifundia*, which in turn monopolize 66.3% of all available land. The agricultural census of 1996 revealed that, between 1985 and 1996, the number of persons working in agriculture fell 23%, while the sector's aggregate product increased 30% over the same period. (Dias and Amaral, 1999).

As we know today, the second phase of rural industrialization began in the 1980s, accelerating urban migration so that by the end of the twentieth century 80% of the Brazilian population lived in urban areas. This has had very serious social implications, creating large shanty towns and urban violence due to a huge increase in formal unemployment and an explosion in informal services. This radical and rapid expulsion from rural areas gave rise to a reconsideration of the subject of land reform, as well as to the emergence of the Landless Rural Workers' Movement (MST). Social inequality has grown both in the countryside and in the cities, but in contrast with the 1960s and 1970s, the rate of economic growth has slowed down and unemployment has increased without a "populist" government.

4. The emergence of the PT: shift towards a new political culture

In many ways, the emergence of the PT as a political party marked a watershed in Brazilian politics. Traditionally, politics in Brazil has always been associated with a culture of clientelist and patrimonial relations, informal deals and intermeshing networks of political accommodations among powerful local elites and ties of patronage and power brokering between them and ordinary people in their zones of influence (Schmitter, 1971; Cintra, 1979). The system is often referred to as

coronelismo, i.e., concentration of power at the local level in the hands of a network of local land-owning bosses, known as *coroneis* (signifying real or claimed connection with the military) or *doutors* (signifying a claim on status *via* a university degree) (Leal, 1948). In this political culture, political parties have always been elite driven apparatuses for gathering votes for the bosses, “little more than the patronage machines of regional oligarchies” (Hagopian, 1996, p. 46). But the PT has been different from the very beginning.

The PT grew out of the conjunction between massive labour upsurge in the late 1970s and a period of debate on the left about what kind of political party (or parties) should be constructed in the transition to democracy. [...] As a socialist party, it proposed sweeping changes in the orientation of social and economic policy to benefit the less privileged. As a participatory and democratic party, it proposed a new conception of politics, in which previously excluded sectors of the population would be empowered to speak for themselves. [...] The PT’s very existence seemed to imply the breakdown of entrenched patterns of elite dominance of the political system (Keck, 1992, p. 3).

The PT is a mass based party and the level of internal democracy within it is without doubt greater than in any other party in Brazil. There are, however, serious contradictions within it. This is perhaps to be expected in a mass based party seeking to practice internal democracy. All through the 1980s, two parallel tendencies had co-existed within the PT, those of a moderate *Articulation for Socialist Democracy* (*Articulação à Democracia Socialista* or ADS) and a more radical *Socialist Convergence* (*Convergência Socialista* or CS) until José (Zé) Maria took CS out of PT to launch a new party called the Socialist Party of the United Workers (*Partido Socialista dos Trabalhadores Unificado* or PSTU) in 1996. Currently, on the right of the party is *Campo Majoritário*, which is further split into a larger sub-segment of *Articulação* and a smaller one of *Democracia Radical*. On the left are several factions, the largest of which is *Democracia Socialista*. Among the other left factions are *Articulação de Esquerda*, *Força Socialista*, *O Trabalho* and a number of independent individuals with grass root following. In the 2002 election, out of the 91 PT members elected as federal deputies, 30 are believed to belong to the left factions. Of these, nine belonged to *Articulação de Esquerda* and seven to *Democracia Socialista*. Two-thirds of the federal deputies belonging to the PT in 2002 are therefore comfortable with abandoning the idea of the radical socialism of the 1960s and 70s.

PT’s mass base also does not seem to extend to the whole span of the Brazilian civil society, not even to all sections of the poor. It was incubated in the militant trade union movement of the organised workers in car making and metallurgical industries of São Paulo in the late 1970s and has drawn the bulk of its intellectual and strategic support from the left leaning academics of universities and significant sections of professional classes across the country. Ever since then, it has mainly represented a mutually supportive coalition of factory-floor workers of the organised manufacturing sector (*classe operária*) and the lower and middle segments of the salaried middle-classes.

While its alliance with the National Federation of Trade Unions (*Central Única dos Trabalhadores* or CUT), which mainly represents this coalition, has always been strong and organic, the support it has given to, and received from, mobilised segments of the rural workers, represented by the relatively moderate Trade Unions of Rural Workers (*Sindicatos dos Trabalhadores Rurais* or STRs) and the more radical Movement of Landless Rural Workers (*Movimento dos Trabalhadores Rurais Sem Terra* or MST) has been rather selective and at an arm’s length. Its outreach to the unorganised segments of the country’s labour force, e.g. workers in unregistered small and medium industries, non-unionised workers in wholesale and retail trade, small-scale agriculture, transport and service sectors, in both urban and rural areas, has been mainly conspicuous by absence until now. In an interview given to *Folha de São Paulo* prior to the 2002 election, one of MST’s top ideologues, João

Pedro Stedile, explains the movement's ambivalent attitude to PT. He accepts that PT is the only national political party which stands for real social change in Brazil, which is why MST will always support it during elections. He also says:

This [PT's] discourse is not of defending a programme of the left or of the necessary radical changes that our society requires. In the ideological spectrum, this is a programme of the centre. But the important thing is not the discourse but the nature of social forces which are mobilised around candidates. And the candidature of Lula symbolises change. [...] All our social militancy - of the MST and indeed all other rural movements, are committed to the Lula campaign (Stedile, quoted in Fraga, 2002).

Even before Lula was installed as President on 1 January 2003, the MST had warned that their interest must not be bargained away in the political horse-trading that always accompanied government formation in the country's fractious political system. It demanded that extensive tracts of land belonging to big landowners, including those that are currently under illegal occupation of squatters (*acampamentos*), are taken from the former, made into planned settlement colonies with housing and all necessary infrastructure built at federal government expense and legally settled with the latter. It said that it regarded Lula as an ally of the landless and that: "If the government speeded up the process of acquiring land (for settling the landless), there should be no need of any more acts of forcible occupation by us. Nobody does it because he thinks it is a nice thing to do, that this is a picnic" (Balthazar, 2002, A8). In other words, PT's new government was on notice.

5. The architecture of the current political space in Brazil

The PT is of course not the only party of the left in Brazil. In fact, a political culture driven not by ideology and/or doctrine but by the personality of leaders of acknowledged status – the latter day extra-local *coroneis* and *doutors*, has produced an extremely fragmented party political map once the military's ban on political parties was lifted by Law 6767 of 20 December 1979. In 2002, 19 political parties won representation in the Chamber of Deputies, the lower house of the Congress. Another two had won seats in the 1998 Congress and are still politically active. There exists a degree of fluidity on the margin regarding membership - lay members as well as senior leaders, including senators, federal and state deputies, mayors and gubernatorial and presidential candidates often change parties. Some have done so several times in their political careers. Many of these parties are indistinguishable by doctrine, policy orientation or campaign slogans. Arranging them on a left-centre-right spectrum on a strict ideological or policy-orientation criteria is therefore problematic.

It is, however, possible to identify a category of the broad left by putting together all those parties which have emerged from various efforts of mobilising the poorer masses in different phases of Brazil's recent political history, particularly, the organised sections of the labour force and 'the small men and women' in general, against the interests of the traditional elite and big industrialists. The PT, the parties which emerged from Vargas sponsored *Partido Trabalhista Brasileiro* (today's PTB and Leonel Brizola's *Partido Democrático Trabalhista*), the parties emerging from the communist movement of the 1930s (*Partido Comunista do Brasil* and *Partido Popular Socialista*), the party created in 1988 by the left-leaning dissidents of the centre parties and also attracting dissidents from PT (*Partido Socialista Brasileiro*) and the Green Party created in 1993 are the obvious candidates for inclusion in this category. The middle ground is clearly defined by the two large parties (*Partido do Movimento Democrático Brasileiro* and *Partido da Social Democracia Brasileira*) constituted out of the 'official opposition', *Movimento Democrático Brasileiro*, created by the military in 1966. These

are populist parties with strong party organisations in all states and therefore able to mobilise votes in times of elections. The PSDB was Cardoso's electoral base for winning presidential elections in 1994 and 1998 while the PMDB has been a crucial power broker at the national level ever since the end of the military regime in 1984. On the right of the Brazilian politics are the three successor parties of erstwhile ARENA, the political support base of the military regimes between 1964 and 1984 (*Partido de Frente Liberal*, *Partido Progressista Brasileiro* and *Partido Liberal*). These parties have mainly represented the interests of big landowners and big agribusiness enterprises. In addition, there is a scatter of small parties led and orchestrated by charismatic and/or ultra-nationalist leaders or special elite interests. Some of these are just transient in nature, often called 'parties for hire' or *partidos de aluguel*. The current party political map of Brazil is shown in table 3.

Table 3: The Party Political Map of Brazil in 2002*

Abbreviated names	Year of launch	Complete names (with English translations)
Parties of the Left		
PT	Feb 1982	Partido dos Trabalhadores (Workers' Party)
PDT	Nov 1981	Partido Democrático Trabalhista (Democratic Labour Party)
PSB	Jul 1988	Partido Socialista Brasileiro (Brazilian Socialist Party)
PPS	Mar 1992	Partido Popular Socialista (Popular Socialist Party); formerly, Brazilian Communist Party.
PTB	Nov 1981	Partido Trabalhista Brasileiro (Brazilian Labour Party)
PC do B	Jun 1988	Partido Comunista do Brasil (Communist Party of Brazil)
PV	Sep 1993	Partido Verde (Green Party)
Parties of the Centre		
PMDB	Jun 1981	Partido do Movimento Democrático Brasileiro (Brazilian Democratic Movement Party)
PSDB	Aug 1989	Partido da Social Democracia Brasileira (Brazilian Social Democratic Party)
Parties of the Right		
PFL	Sep 1986	Partido da Frente Liberal (Liberal Front Party)
PPB	Nov 1995	Partido Progressista Brasileiro (Brazilian Progressive Party); created after the merger of Partido Popular and Partido Progressista Reformador; also successor to Partido Democrático Social.
PL	Feb 1988	Partido Liberal (Liberal Party)
PSD	Mar 1990	Partido Social Democrático (Social Democratic Party)
PRONA	Oct 1990	Partido de Reedificação de Ordem Nacional (Party of the Restoration of the National Order)
PSDC	Aug 1997	Partido Social Democrática Cristão (Christian Social Democratic Party)
PST	Aug 1996	Partido Social Trabalhista (Social Labour Party)
PMN	Mar 1990	Partido da Mobilização Nacional (National Mobilisation Party)
PSC	Mar 1990	Partido Social Cristão (Christian Social Party)
PSL	Jun 1998	Partido Social Liberal (Social Liberal Party)
PHS	Mar 1997	Partido Humanista da Solidariedade (Humanist Solidarity Party)
PTN	Oct 1997	Partido Trabalhista Nacional (National Labour Party)

*Note: Only parties represented in the Congress elected in October 1998 and 2002 are included in this table.

Source: Almanaque Abril 2001 and 2002 and discussions with Brazilian colleagues during fieldwork in December 2002.

The rise of the broad left in Brazil in the 1990s has been impressive. In 1994, the seven parties of the left between them had won 122 seats in the Chamber of Deputies, 14 seats in the Senate and six state governorships. Their presence in the Chamber increased to 136 in 1998 and 194 in 2002 and in the Senate, to 21 and 27 in those years respectively. Between 1994 and 2002, the left's representation in the Senate had nearly doubled and had increased by 59% in the Chamber of Deputies. The PT's

success has been even more remarkable. Between 1984 and 2002, its Senate seats rose from 5 to 14, an increase of 180% and its Chamber seats from 51 to 93, an increase of 82%. In 1994, left's candidates had won posts of governors in six states; that number had risen to 10 in 2002. The PPS and the PSB have also been making spectacular gains, albeit from a smaller base in 1994. The PTB has maintained its position since 1994, while the representation of the PC *do* B and the PV declined between 1994 and 1998 but rose significantly again between 1998 and 2002.

The right's and the centre's hold on power has, on the other hand, been declining since 1994. The right had 30 seats in the Senate in 1994, that number had declined to 21 in 1998 and rose again slightly to 24. Its representation in the Chamber fell from 207 in 1994 to 182 in 1998 and then again to 171 in 2002. The heaviest losers were the two larger right parties, the PFL and the PPB. The much smaller PL, currently an ally of Lula, has in fact been improving its position in the Senate as well as the Chamber. The representation of the PSDB, one of the two centre parties, had strengthened marginally in both houses of the Congress between 1994 and 1998 but then declined steeply in 2002. The PMDB, the other centre party, held its position between 1994 and 1998 but then suffered a massive reverse in 2002. The two centre parties still hold 37% of the Senate seats and 29% of the Chamber seats in the federal Congress. Lula cannot govern effectively unless at least one of these centre parties back his legislative measures. The right and the centre together held the posts of governors in 21 states in 1994. That number fell to 17 in 2002 (see table 4).

Table 4: Relative Strength of Political Parties in Brazil in the Last Three General Elections

Political parties	1994 Election 1995-98 Term of Office			1998 Election 1999-02 Term of Office			2002 Election 2003-06 Term of Office		
	Gov	Senate	COD	Gov	Senate	COD	Gov	Senate	COD
Parties of the Left									
PT	2	5	51	3	6	58	3	14	93
PDT	1	3	25	1	5	16	1	5	19
PSB	2	2	10	2	3	15	4	4	22
PPS	0	0	1	0	2	11	2	1	16
PTB	1	4	24	0	5	27	0	3	27
PC do B	0	0	10	0	0	9	0	0	12
PV	0	0	1	0	0	0	0	0	5
Total Left	6	14	122	6	21	136	10	27	194
Parties of the Centre									
PMDB	9	22	98	6	23	98	5	19	76
PSDB	6	13	86	7	14	97	7	11	72
Total Centre	15	35	184	13	37	195	12	30	148
Parties of the Right									
PFL	2	23	103	6	18	105	4	19	82
PPB	2	5	87	2	2	50	0	1	48
PL	0	0	10	0	1	14	0	3	25
PSD	0	0	3	0	0	0	0	1	4
Prona	0	0	0	0	0	0	0	0	6
PSDC	0	0	0	0	0	0	0	0	1
PST	0	0	0	0	0	6	0	0	2
PMN	0	1	2	0	0	0	0	0	1
PSC	0	0	0	0	0	0	0	0	1
PSL	0	1	2	0	0	5	1	0	1
PHS	0	0	0	0	0	1	0	0	0
PTN	0	0	0	0	0	1	0	0	0

Total Right	4	30	207	8	21	182	5	24	171
Independents of the right	2	2	0	0	0	0	0	0	0
Grand Total	27	81	513	27	81	513	27	81	513

Source: Compiled by the author on the basis of data obtained from Tribunal Superior Eleitoral (Brazilian Federal Election Commission) during fieldwork in December 2002.

Abbreviations of Column Headings: Gov = Governorships of States; COD = Federal Chamber of Deputies (Câmara dos Deputados do Congresso Nacional); Senate = Federal Senate (Senado Federal)

It was a strange electoral battleground that Lula, the candidate of the radical left (the PT and the PC do B), was fighting for presidency with the rest of the left arrayed against him, but with the support of far right PL and the informal support of right-of-the-centre PMDB. The party of the former socialist, Cardoso, was fighting for the same post on the support of half of the centre and the bulk of the right and in opposition to all parties of the left. But elections in Brazil have never been fought on strict ideological lines. All main political parties of the left and the centre are in fact coalitions of several ideological and doctrinaire tendencies, which often lead to perpetual intra-party factional conflicts. The parties of the right have tended to be more united and coherent and it is not difficult to see why. Unlike left and centre parties, they do not pursue difficult-to-define agendas like social change, combating poverty or creating a more equal society but more concrete objectives like protecting the interests of clearly identifiable better off sections of society like big land owners, agribusiness entrepreneurs and large and medium industrialists. But during the 2002 election campaign the usual unity of purpose seemed to have fallen apart. Not only the PL, but significant sections of the PFL as well, extended direct or indirect support to the Lula campaign (Filho, 2002).

Lula has a difficult balancing act to perform. On the one hand he has to go some way to meet the raised expectations of Brazil's poor, the underprivileged and significant sections of middle and professional classes, i.e. his core support base. On the other he has to avoid confrontation, and indeed try to cultivate good relations, with the IMF, the World Bank, the United States, and equally crucially, Brazil's own industrialists and powerful business lobbies. An important reason why Lula won so convincingly in 2002, after loosing in 1990, 1994 and 1998, was that vast sections of Brazil's population had felt that Cardoso, in his enthusiasm to please the foreign bankers and creditors, had betrayed the people who had elected him, that he had promised much and delivered little to the country's less privileged.

Lula's chances of succeeding in this task will depend on the extent his party is able to shed its historic ideological ambivalence and follow a clear and explicitly stated policy direction, now that it is in charge of governance. During 22 years of its existence as a political party it has never explained clearly whether it seeks to follow a radical or a reformist path to achieve social justice. In the past, i.e., prior to the election campaign of 2002, two words, which have constantly recurred in its political vocabulary, were *socialism* and *democracy*. The PT has never made it explicit how it seeks to combine these two concepts into a single political line, i.e. whether that line will include such fundamental structural changes as effective land reform and other effective programmes of closing the country's long-enduring wealth-gap or just a slow progression of incremental measures which do not challenge the current unequal structure of society.

6. PT's campaign promises: a carefully worded manifesto of the left, but not of the radical left

It is significant that in its campaign document for the 2002 elections entitled *Another Brazil is Possible (Um Outro Brasil é Possível)*, PT does not mention the word 'socialism' even once, except, in one place, in the negative context of the collapse of 'socialism' in Central and Eastern Europe. This is

a five-part document. The first part outlines the concept of a new social contract for overcoming the limitations of the market.

The new social contract proposed by us represent a strategic commitment to human rights and a complete change of direction. Brazil will move in a direction which is an alternative to neoliberalism. This will involve challenging the hegemony of the culture of excessive dependence on the market promoted by capitalist globalisation. [...] Our national project has a clear vision of a society which is solidarity based and not predatory and exclusive” (Partido dos Trabalhadores, 2002a).

Limitations of the market are outlined thus:

“The market does not produce justice and does not have any commitment to ethics or the future. The market cannot substitute the democratic public debate and the decisions that spring from it. These alone can guarantee environmental protection and social justice” (Partido dos Trabalhadores, 2002a).

The second part emphasises the need for breaking out of the international straightjacket imposed by ‘globalised neoliberalism’. It takes a position of opposition to the proposed Free Trade Area of the Americas (FTAA), which is seen as a part of “a scenario of the increasing loss of the decision-making power of the local (Latin American) states and progressive control of the United States on the region’s economy”.

The third part sets out the framework of a new model of development. “Distribution of income and wealth for creating an extensive market of mass consumption and (the introduction of) basic and universal social policies are the propulsive forces of this new model”. It makes 15 specific policy commitments for establishing this new model. The fourth part promises a new social contract which will bring about structural changes for guaranteeing a fair distribution of income, wealth, power and culture—necessary ingredients for a new agenda of social inclusion. This new social contract will penalise rent-seekers and speculators but will benefit all big and small entrepreneurs who are engaged in productive activities for broadening the mass consumption market.

The fifth part promises to repudiate the memoranda of intentions signed by the Cardoso government with the IMF and to move towards a system of a Memorandum of Economic and Social Responsibility, to be negotiated annually on the basis of widest possible discussions with the Brazilian society.

PT had also issued another, less widely circulated, document called *Concepts and Guidelines of the PT’s Programme of Government for Brazil 2002* in June. In this document, it took a more doctrinaire position regarding its future approach to key policies of governance. It promises “a break from the current economic model based on market liberalisation and radical deregulation of the national economy and the consequent subordination of its dynamics to the interests and whims of the globalised finance capital” and a determined search for “a new model of development which is economically viable, ecologically sustainable and socially just”. It promises to “speed up growth and to maintain the social as the axis of development”. The hallmark of the radical left is clear in this document:

We should oppose the globalisation of capital and markets by putting in its place solidarity and internationalism of peoples. It is in this context that the defence of democratic socialism can be better achieved and support for a programme of the left on an international scale can become more widespread (Partido dos Trabalhadores, 2002b).

It criticises the privatisation programme carried through by the Collor de Melo, Itamar Franco and Cardoso governments as responsible for the precarious state of the infrastructure, undermining the systemic competitiveness and the growth potential of the national economy. It argues that privatisation

increased the relative prices of important public goods like energy, communication and transport, the burden of which fell disproportionately on the poor. This meant, in effect, that the federal government just transferred existing public assets, created by Brazil over several decades, to national and foreign private business, instead of creating new ones. The state thus lost control over the basic inputs required for development and the economy lost competitiveness. The continued dependence of the country on foreign capital and continued maintenance of high interest rates created a massive debt problem. The acceptance of IMF conditionalities meant that the expenditure of debt servicing had to take priority over the necessary expenditures on infrastructure, science, technology and the social sector in the management of public services. The national economy was thus pushed into a state of chronic dependence on foreign capital. It promises to suspend further progress of the current programme of privatisation and re-assess and re-audit its implications *ab initio*.

The document's firm anti-poverty commitments include: (i) a nationwide minimum wages linked school stipend programme (*bolsa-escola*), (ii) distribution of land to the landless, (iii) better access to financial resources for the poor and (iv) a guaranteed anti-hunger and food security programme.

It spells out six specific measures that the new PT government will undertake in order to reduce the vulnerability and external dependence of the national economy:

- (i) It will further improve the existing positive trade balance and reducing the current levels of deficits in trade in services and balance of payment. This will include measures for increasing the technology and value-added contents of exports, streamlining and rationalising the structure of transport, warehousing, re-substitution of imports, specially in consumer goods, electrical and electronics, capital goods, petroleum, chemicals, tourism and shipbuilding subsectors.
- (ii) It will redress the imbalance created by the uncontrolled opening up of the domestic market to foreign competition. This will be achieved by means of a revision of the tariff structure and the institution of non-tariff measures allowed under the WTO safeguard mechanisms for protecting strategic industrial sectors. Active policies will also be put in place for defending the country's trade interests against anti-competition measures and aggressive trading practices of other countries.
- (iii) It will adopt strict guidelines for the entry of foreign direct investments with a view to regulating its flow away from speculative activities and into the priority sectors including those which support exports, import substitution, expansion of capital goods industries and strengthening of endogenous capacities of technological development.
- (iv) It will regulate the process of opening up of the financial sector to the foreign investors. More specifically it will regulate the opening of new foreign banks in the country's financial system and plug the legal loopholes which allow non-transparent financial operations with overseas institutions.
- (v) With regard to foreign debt, it will repudiate the existing agreement with IMF for freeing the national economic policy from the restrictions imposed by it on growth and on the country's ability to defend its trade interests. It will liaise with countries like Argentina and Mexico for renegotiating its external public debt liabilities with the creditor institutions.
- (vi) It will promote a policy of multilateralism in foreign trade. This will mean greater geographical diversification of foreign trade, strengthening and expansion of Mercosul, greater economic and technical co-operation with emerging economies like China and India and establishment of specific alliances with foreign companies for supporting a policy of re-substitution of imports.

On the Free Trade Area of the Americas, PT seems to take an unequivocally anti-US stand. It says:

“The Free Trade Area of the Americas, in the way it is presently proposed, is a project of political and economic annexation of Latin America by the United States – the main target of which, because of its resource potentials and the size of its internal market, is Brazil. What is at stake, therefore, are our strategic economic interests, and the preservation of our capacity and autonomy for constructing our own future as a nation” (Partido dos Trabalhadores, 2002b).

7. Conclusion: early indicators for hopes and doubts

There are persistent doubts if the PT in government will be able to grow out of the political tendencies stamped on it by the circumstances of its origin. Two senior professors of political science of the prestigious São Paulo University, writing after the election victory of Lula, pointedly recall that the welfare states that the social democracies of Europe had managed to build were all founded on the same doctrine of neo-corporatism: "organised social groups (business associations and trade unions) working together with the State and building relevant pacts for dealing with the most important economic and social questions" (Gonçalves and Azevedo, 2002). They argue that the new Lula government should try to create just such a new 'social contract' in Brazil. But they also express doubts in its ability to do this.

"[...] the reality is that PT has not yet explained how it is going to resolve its historical dilemma. During its 20 years of existence, it has not yet defined the exact shape of its social democracy. It has repudiated Stalinism, but is still flirting, here and there, with ideas which are romantically revolutionary and socialist, in addition to being authoritarian. It scorns social democracy because of its 'servile' commitment to capitalism and to mere reforms. But at the same time, it has ended up espousing it" (Gonçalves and Azevedo, 2002).

A well-known political commentator, Clóvis Rossi, cautions Lula against getting his hands too tied with the currently dominant tenets of neoliberal orthodoxy, "certain principles which have come to be regarded as more sacred than the virginity of Mary: a high enough fiscal surplus for maintaining the debt/GDP ratio, timely repayment of debts and high interest rates". Countries should indeed try to avoid debt default, but if it happens, it is not an apocalypse. He makes this point with crisp, down-to-earth logic:

"It is of course better if every family were to repay its debt religiously, if it were to spend not a cent more than what it earns. These are not ideological recommendations but common sense. But it is equally obvious that in a situation when you do not have enough money to buy food, you default on your debt repayment sometime. If your son needs an operation, you do spend more than you have, and do not leave him to die or to suffer. These are also acts of common sense. What does not make sense is the terrorism of threats of apocalypse if a given line of economic policy is not followed" (Rossi, 2002).

An interview that Antonio Palocci, the new minister of finance, gave to *Folha de São Paulo* on 21 December provided no indication of any clear commitment of the new Lula government to break from the eight-year legacy of Cardoso in any significant way. He praised Cardoso's centre-right finance minister, Pedro Malan, the architect of monetarist policies during the two terms of Cardoso administration, as having "worked correctly, with dedication, he is one of the most serious people I know in the (Cardoso) government". He said he would (i) continue with the Cardoso-Malan policy of balance-of-payment surpluses for the purpose of managing the debt, (ii) keep the interest rate within the

earlier target of 6.5% and (iii) not reduce interest rate until a set of conditions were met, among which were that debt-GDP ratio and inflation rate had to begin to fall, trade balance remained positive, credit commenced to flow in and right conditions for growth prevailed. He said that the new government would put in place a new incomes policy but did not say how that would be different from Malan's. He said that he would "begin to combat hunger systematically" but did not say how. He openly admitted that he might have to continue with Malan's macroeconomic policies for as long as two years. GUIMARÃES, Alberto Passos (1981), *Quatro Séculos de Latifúndio*. São Paulo: Paz e Terra.

This is how he seeks to distinguish between PT's approach to development and that followed by the two Cardoso administrations in the preceding eight years:

"Brazil needs to have a serious monetary and fiscal policy but this cannot preside over the country. It has to be understood that the debate that the president of the republic must address is not the same that the president of the central bank needs to address. The system of inflation targets is a useful macroeconomic system for achieving economic balance but not for presiding over the national project. [...] We have to reverse the direction of the process, understand that it is sustainable growth more than macroeconomic instruments which generate stability" (Salomon and Alencar, 2002).

Palocci seems to be engaged here in a difficult balancing act. On the one hand, he is seeking to stay within the framework of the PT's election promise "to maintain the social as the axis of development", on the other, he is saying that Cardoso-Malan monetary and fiscal policies will continue, whatever the social consequences. He does not seem to have succeeded in fully reassuring the Brazilian middle and professional classes. A commentator in the widely circulated *Folha de São Paulo* warned shortly after the Palocci interview that PT's financial policies might create "a closed country" and:

"[...] would provoke an economic convulsion of uncertain result by shutting the country off from the world market. A smooth transition would be more prudent and effective. If such transition can be assured, there will be stability. It will then be possible to initiate such political and economic changes that the country needs and more radical ideas will no longer seem attractive" (Freire, 2002).

In assessing the fitness of Lula's team for combating chronic poverty, what we need to understand is that combating poverty is essentially a political process – it involves fundamental shifts in the balance of power in the civil society, it involves gainers and losers. In a plural democracy, the context in which Lula must function, fundamental changes can only be brought about by consent and not by force. Securing the consent of the rich, entrenched in their privileged positions, to let others share some of their wealth and to give up some of their privileges, cannot be an easy task in any circumstance. A necessary, if not sufficient, pre-condition for securing that consent is to build up a pressure for change from below by mobilising the poor. This the PT is in a better position to do than any other political party in Brazil.

The PT has already shown a considerable degree of success in securing the support of the significant sections of the centre and the right. In the contemporary *realpolitik* of Brazil's system of governance, it cannot govern without this support in the Congress. What it must consider, however, is the bills it will be called upon to pay in exchange of this support. It must also keep the left, including its own membership, united on a minimum agreed programme. This has often proved to be more difficult than securing the support of the centre and the right. There will also be mounting pressure from the IMF and the United States against the adoption of policies which undermine the interests of global capitalism. Its ability to withstand this pressure will depend on how strong it is in the domestic power equation. At the present moment, its position in this equation is not very strong. There are therefore obvious limits to

what it can achieve politically during Lula's 2003-06 term of office. But it can certainly set the country in a definitive course to a fundamental shift to pro-poor policies. It can use this period to extend its support base to those segments of society which have largely remained outside its fold, e.g. the rural poor, the small farmer, the urban poor in the unorganised sectors and the workers outside the manufacturing sector. With a stronger and wider support base and better organisation, it can achieve more in a second term of office, if it gets one. Chronic poverty is after all intergenerational transmission of poverty. To think on the basis of an eight-year time scale to deal with it should, therefore, not be regarded as too unrealistic.

References

- Aggége, Soraya and Flávio Freire (2002) "Lula se afasta de ACM: petista diz que partido precisa de gente competente para enfrentar ex-senador", *O Globo*, 16 September, p. 3.
- Aníbal, José (2002) "Aníbal diz que PT se aproxima de ideário tucano" *Folha de São Paulo*, 7 August, p. A7.
- Balthazer, Ricardo (2002) "MST quer reforma agrária longe de acordo com partidos", *Valor*, 10 December, p. A8.
- Cintra, Antônio Octávio (1979) "Traditional Brazilian Politics: An Interpretation of Relations Between Center and Periphery", in Aguiar, Neuma (ed.) *The Caciques: Oligarchical Politics and the System of Caciquismo in the Luso-Hispanic World*, Albuquerque: University of New Mexico Press, pp. 127-66.
- Conrad, R (1972) *The Destruction of Brazilian Slavery (1850-1888)*, Berkeley: University of California Press.
- Côrtes Neri, Marcelo (2002) "Credibilidade monetária e combate à miséria", *Valor*, 10 December, p. A13.
- Costa, Raymundo (2002) "Eleição Engessada: Sem Serra, PFL aceita ceder vice ao PMDB", *Folha de São Paulo*, 28 April, A11.
- Curtin, P D (1969) *The Atlantic Slave Trade*, University of Wisconsin Press.
- Freitas, Décio de (1995) Extract from his well-known book *Palmares – A Guerra dos Escravos* quoted in *Folha de São Paulo* of 25 June 1995.
- DFID (2000) *Eliminating World Poverty: Making Globalisation Work for the Poor: White Paper on International Development*, Cm 5006, London: HMSO.
- Fernandes, Florestan (1968), "Relações de Raça no Brasil: Realidade e Mito", in Furtado, Celso (ed.) *Brasil: Tempos Modernos*, Rio de Janeiro: Paz e Terra, pp.111-37.
- Filho, Aziz (2002) "O PFL Vermelho", *Istoé*, No. 1700, May, p. 5.
- Fraga, Plínio (2002) "Discurso de Lula não é de esquerda, diz MST" *Folha de São Paulo Especial Eleições*, 16 September, p. 4.
- Freire, Vinicius Torres (2002) "Finanças, esquerda e Palocci", *Folha de São Paulo*, 23 December, p. A2.
- Gonçalves, Alcindo and Clovis Bueno de Azevedo (2002) "Um mapa do governo: intenções e obstáculos", *Valor*, 10 December, p. D6.
- Guimarães, Alberto Passos (1981), *Quatro Séculos de Latifúndio*, São Paulo: Paz e Terra.
- Hagopian, Frances (1995) "Traditional politics against state transformation in Brazil", in Migdal Joel S, Atul Kohli and Vivienne Shue (1995) *State Power and Social Forces*, Cambridge: Cambridge University Press, pp. 37-64.

- IBGE (2001) *Pesquisa Nacional por Amostra de Domicílios*, Vol. 22, Rio de Janeiro: Instituto Brasileiro de Geografia e Estatística.
- Leal, Victor Nunes (1949) *Coronelismo: Enxada e Voto*, translated in English by June Henfrey and published in 1977 as *Coronelismo: The Municipality and Representative Government in Brazil*, Cambridge: Cambridge University Press.
- Leonardi, Victor (1996) *Entre Árvores e Esquescimentos: História Social nos Sertões do Brasil*, Brasília: Paralelo 15 Editores.
- Lima, Marcos Costa (2002) "Raízes da Miséria no Brasil: Da Senzala à Favela", in Lima Jr, Jayme Benvenuto and Lena Zetterstrom (eds.) *Extrema Pobreza no Brasil: a situação do direito à alimentação e moradia adequada*, São Paulo: Edições Loyola, pp. 11-50.
- Lima, Maurício (2002) "Deu trabalho, mas Lula atraiu o capital", *Veja*, Vol. 35, No. 25 June, p. 48-9.
- Nabuco, Joaquim (1883) *O Abolicionismo*. Paginations in this paper follow 2000 edition of São Paulo: Publifolha/Editora Nova Fronteira.
- Partido dos Trabalhadores (2002a) *Um Outro Brasil é Possível*, São Paulo: PT Central Office.
- Partido dos Trabalhadores (2002b) *Concepção e Diretrizes do Programa de Governo do PT para o Brasil 2002*, São Paulo: PT Central Office, reprinted in *Gazeta Mercantil*, 1 July, p. A12.
- Patury, Felipe and Maurício Lima (2002) "O desafio de formar um ministério", *Veja*, Vol. 35, No. 49, 11 December, pp. 52-5.
- Rodrigues, Fernando (2002) "PT pode fazer bloco com PMDB, afirma João Paulo" *Folha de São Paulo*, 22 December, p. A4.
- Rossi, Clóvis (2002) "Regras e apocalipse", *Folha de São Paulo*, 18 December, p. A2.
- Saha, Suranjit Kumar (2002) "Latin America: A Socio-Economic Profile", in Saha, Suranjit Kumar and David Parker (eds.) *Globalisation and Sustainable Development in Latin America*, Cheltenham: Edward Elgar Publishing, pp. 78-122.
- Salomon, Marta and Kennedy Alencar (2002) "Palocci admite 2 anos sob herança de Malan", *Folha de São Paulo*, 22 December, p. A14.
- Santos, Chico and Antônio Gois (2002) "'Neonacionalista', Lessa quer BNDES voltado à inclusão", *Folha de São Paulo*, 20 December, p. A13.
- Schmitter, Philippe c (1971) *Interest Conflict and Political Change in Brazil*, Stanford: Stanford University Press.
- Sen, Amartya (1981) *Poverty and Famines: An Essay on Entitlement and Deprivation*, Oxford: Clarendon Press.
- Sen, Amartya (1999) *Development as Freedom*, Oxford: Oxford University Press.
- Singer, Paul and André Ricardo de Souza (2000) *A Economia Solidária no Brasil: A Autogestão como Resposta ao Desemprego*, São Paulo: Editora Contexto.
- Souza, Leonardo and Julianna Sofia (2002) "Malan defende Armínio no BC no pós-FHC", *Folha de São Paulo*, 26 June, p. A10.
- Ulhôa, Raquel and Raymundo Costa (2002) "Serra reúne governadores para reagir a Ciro", *Folha de São Paulo*, 25 July, p. A6.
- Willens, Emílio (1980) *A Articulação dos Alemães no Brasil*, São Paulo: Companhia Editora Nacional.
- Zanini, Fábio (2002) "Para evitar racha, PT faz acordo com Heloísa Helena" *Folha de São Paulo*, 18 December, p. A4.