

WHITHER BRAZIL?

James Petras and Henry Veltmeyer

"We need U.S. leadership for many things we need to do in this world"

Brazilian Foreign Minister Celso Amorin, March 16, 2003

"We are going to war"

George W. Bush, March 17, 2003

Introduction

The election of Luis Inacio "Lula" da Silva has raised great expectations on the center-left. For most leftist writers, his election heralded a new epoch of progressive changes which, while not revolutionary, defined the "end of neo-liberalism". Noted progressive religious figures, like Leonardo Boff, announced imminent "change" which would challenge U.S. hegemony and lead to great popular participation. Frei Betto, a close associate of Lula, launched a vitriolic attack on critics who questioned some of Lula's appointments citing his popular roots as a former metal worker and union leader a quarter of a century earlier. Left-wing members of the Workers Party, Olivo Dutra and Tarso Genro, appointed to minor ministerial positions in Lula's cabinet called for the "disciplining" (expulsion or silencing) of a dissident PT Senator Heloisa who objected to the PT's support for right-wing Senator Jose Sarney as President of the Senate. European, U.S. and Latin American progressives and leftists and their movements, NGO's, parties and journals joined the celebration of the Lula Presidency and his "progressive agenda" and his "leadership in the fight against neo-liberalism and globalization". While over 100,000 at the World Social Forum in

January 2003 at Porto Alegre cheered Lula as a hero of the Left and precursor of a new wave of leftist regimes (along with President Lucio Gutierrez and President Hugo Chavez of Venezuela), some of Lula's intellectual supporters (Emir Sader) pleaded with Lula not to go to Davos to plead his case for foreign investment to the world's most rapacious speculators and richest investors.

In addition to the great majority of the left intellectuals, NGO'ers and politicians who aggressively and unquestionably support Lula as a new progressive force, the Brazilian and foreign financial media, international financial institutions (IMF, World Bank, Wall Street, City of London and prominent right-wing leaders like British Prime Minister Tony Blair and U.S. President Bush) praised Lula as a statesman and "pragmatic leader". In other words, big business, bankers and right-wing political leaders see Lula as an ally in defense of their interests against the left and the mass popular movements.

This essay will analyze and evaluate the expectations of the left and capitalist perceptions in light of political and economic realities. A rigorous evaluation of the Lula regime and his future trajectory follows several methodological procedures:

(A) an examination of the historical dynamics of the Workers Party (PT). The PT cannot be understood by looking merely at its origins almost a quarter of a century earlier. Political parties evolve over time, as do their relations to their original social base of support, sources of finance, party composition, membership in party congresses and internal structure as the classic sociologists Michels, Pareto and Weber pointed out a long time ago. In the case of the PT, the change in relation to the social movements, electoral processes and state machinery is crucial.

(B) the relation between the PT and national, state and local governments where it has held power. The PT has held the governorship or co-governed in several important states (Rio Grande de Sul, Brasilia, Sao Paulo) and many large and medium size cities including Porto Alegre, Sao Paulo, Belem, Brasilia, Florianopolis and others) prior to Lula's election as President. PT governments at all levels have evolved over the past 25 years -- from social democratic to neo-liberal and play an important role in providing the ministers, functionaries and policies for the Lula government.

(C) the political-economic program of the PT has changed in very significant ways over the past decade and in particular during the run-up to the presidential election of October 2002. Uninformed enthusiasts for the Lula presidency, particularly overseas observers, refer to past PT programs which have no relevance to present policies and immediate future priorities. A priori judgements, projections of deeply felt wishes, and excessive and irrational exuberance have clouded the judgement of many of Lula's domestic and overseas boosters with regard to his current socio-economic practices and priorities.

(D) the electoral campaign and, more important, the political alliances and economic pacts which accompanied it are important points of reference for a serious analysis and subsequent evaluation of the Lula regime. In the area of electoral campaigns what is most important is not the commonplace "populist rhetoric", "mixing with people", socio-economic promises of jobs and better living standards or even denunciations of neo-liberalism (this is standard practice of politicians of all stripes and colors since the late 1980's), but the socio-political alliances, visits to Washington and Brussels and economic pacts with the IMF and other 'power centers'. Equally important is the relation of electoral campaigns to ongoing mass struggles -- do the electoral politicians demand that the movements cease and desist from direct action in order not to frighten the business and banking elites or do they encourage and combine their electoral campaign with the ongoing mass struggles? The relation between electoral parties and mass movements and their struggles is an important indicator of the future trajectory of an electoral party when it comes to power.

(E) the "image" and "reality" of a candidate is an important indicator of the direction of the party and its future political course in government. Most electoral propaganda focuses on the past profile of their candidate, their humble origins, their past ties to popular struggles and their "plebeian" gestures; while this retrospective data is important, it is nonetheless compatible with a contemporary embrace of the power elite and transition to pacts with bankers and big business. What is crucial is where politicians are today and where they are going. Vulgar class analysis focuses on social origins, whereas rigorous class analysis examines class mobility, new class referents and adult political resocialization. There are too many past

and present cases of elected presidents who started poor and progressive and ended up rich and reactionary, to overlook this hypothesis in the case of Lula. The most recent case is President Toledo of Peru, who presented himself in peasant costume and as a former bootblack. He later received a doctorate in the U.S., served in the World Bank and subsequent to his election implemented a profoundly reactionary neo-liberal, IMF backed program repudiated by the great majority of Peruvians, including most of the poor voters taken in by his folkloric electoral propaganda.

(F) The identity, background and political-economic practices of the key ministerial and economic functionaries. Cabinet appointments are crucial in shaping policies and defining the class and national character of a regime. More specifically, the Finance, Economics, Agricultural and Foreign Affairs Ministries and the Central Bank determine the parameters and priorities of a regime's social and economic policies. These ministries define the budgets and possibilities of other ministries. Given these facts, what matters is not the number of ministers representing one or another political tendency, but the politico-economic outlook of the key ministries and the Central Bank.

(G) The politico-economic decisions in the first weeks of the regime and the proposed structural policies, budgets, 'pacts' and alliances provide a practical, empirical basis to evaluate the direction of a regime - whether goes the Lula regime. The public economic priorities fixed by the President and his economic team with regard to the foreign debt, budget, ALCA, interest rates, the IMF, agrarian reform, pensions and labor legislation have a major impact on the social classes and define the present and future character of the regime.

We will analyze the Lula regime according to this method, following the seven criteria mentioned above, in order to come to a realistic and objective evaluation of the nature and perspectives of the Lula regime.

Historical Dynamics of the Workers Party (PT)

Contemporary publicists refer to the PT as a workers' party, based on its supposed ties to social movements and its deep involvement in class and other social struggles. This was the case at its founding over two decades past.

The most significant fact about the PT is its qualitative change over the last quarter of a century. Several essential changes have taken place in the PT: (1) relation to the social movements and their struggles; (2) internal structure of the party and the composition of the delegates to its Party Congress; (3) program and political alliances; and (4) style of leadership.

The PT, at its very foundation, was a party with a strong component of social movements -- landless workers, urban favelados (slum dwellers), ecologists, feminists, cultural and artistic groups, progressive religious and human rights activists and the major new trade unions, including metal workers, teachers, banking and public employees. The PT grew in membership and influence from its direct involvement in the movement struggles. The electoral campaigns largely complemented the extra-parliamentary struggles in the beginning. Over time and with increased electoral successes, the 'electoral' sector of the PT gained control of the party and slowly redefined its role as basically an electoral apparatus, giving lip service to the social struggle and concentrating its efforts inside the apparatus and institutions of the state, forming de facto alliances with bourgeois parties. A minority of the 'electoral party', the left-wing, continued to support the movements -- from the institutions -- providing legal defense, denouncing state repression and giving oratorical encouragement at the mass gatherings. What is clear, however, is that all tendencies of the electoral party, left, center and right, were no longer engaged in the day to day mass organizing, except prior to election campaigns.

The second basic change was in the composition of the party and the party congresses. By the mid 1990's the great majority of the party apparatus was made up of full time functionaries, professionals, lawyers, public employees, university professors and other middle and lower middle class employees. The 'voluntary activists' disappeared and/or were marginalized as the party turned from mass struggles to office

seeking and wheeling and dealing with business groups and a diverse array of center-left to center-right parties.

The last Congress of the PT prior to Lula's election was overwhelmingly (75%) middle class, mostly functionaries, with a sprinkling of trade union, MST and human rights leaders.

Clearly the PT was no longer a "workers party", either in its composition, its delegate congress and in its relation to the social movements prior to the elections. Moreover, many of the elected officials of the PT at the municipal and state level were engaged in the same kind of cross-class alliances with business groups and bourgeois parties, that the PT would follow in the presidential campaign of 2002. In other words, the right turn of the PT at the national level was preceded by a similar pattern at the state and municipal level during the decade of the 1990's. More significantly, many of the key party leaders and subsequent advisers to Lula were already practicing neo-liberal office holders, even as the national party program still spoke of socialism, anti-imperialism and repudiation of the foreign debt.

As the 2002 elections approached, the national leadership of the PT, with Lula leading the way, eliminated all the programmatic references to socialism and anti-imperialism, in line with the practices of the neo-liberal officeholders in the party and with the majoritarian support of the middle class party delegates.

The third significant change in the PT is the evolution of its program. Essentially the programmatic changes took place in four stages:

(1) During the 1980's, the PT stood for a socialist society based on assembly style democracy, linked to the social movements. The PT called for a repudiation of the foreign debt, a sweeping land redistribution with state financial, technical and marketing support, socialization of banking, foreign trade and national industrialization (with some sectors calling for the expropriation of large industries and others for worker co-management). These radical positions were debated openly and freely by all the tendencies (from Marxists to social democrats) who even published their own newspapers and dissent.

(2) Beginning in the late 1980's to the late 1990's, the PT moved to the right, the axis of power shifted toward a "social-democratic position" (support for a welfare state) while the Marxist-left continued as

a strong minority-tendency. The social democrats controlled the increasingly middle class party apparatus, while the Marxists organized their opposition from within the same apparatus, few, if any, turning to mass organization to counter their growing weakness in the party machinery. While the formal program still retained the earlier radical demands, in practice most of the newly elected governors and mayors did not challenge existing property relations. The radical wing of the elected officials in Porto Alegre introduced the notion of a "participatory budget", involving neighborhood committees, but failed to municipalize any essential services, including transport, or stimulate land occupations or the demands of landless workers. Moreover, the participatory budget was based on the funds allocated by state and municipal regimes, which established the overall budget priorities. Politically, this meant that even the radical PT learned to co-exist and cooperate with the established banking, industrial and real estate elites.

This meant that the debate between the minority Marxist and dominant social democratic wings of the PT was over programmatic language, while the differences of practice between them were in fact quite narrow.

The third phase of the PT, roughly between the end of the 1990's and the run up to the elections, saw a further shift to the right in programmatic terms. Even the rhetorical references to Marxism, socialism and foreign debt repudiation disappeared. The party leadership was in full transition to social liberalism -- combining anti-poverty populist rhetoric with the pursuit of alliances with neo-liberal business, banking and agro-export elites. During the election campaign, Lula repudiated the referendum on ALCA organized by the MST, sectors of the progressive church and other leftist groups. Instead, the PT called for "negotiations" to improve ACLA. The PT embraced a pact (June 2002) with the IMF and acceded to its dictates on fiscal austerity, a budget surplus to pay bondholders, reductions in public spending and respect for all privatized enterprises. The social aspects of this liberal program was the declaration in favor of a gradual agrarian reform (of unspecified dimensions), a "zero poverty" agenda, providing family food subsidies, and land titles for urban squatters.

The final phase in the evolution of the PT's program begins in 2003 onward as a presidential party.

The PT government embraces an orthodox neo-liberal program. Despite promises of increased social spending, the Lula regime has slashed budgets, imposed fiscal austerity, raised interest rates to attract speculative capital and is negotiating with the U.S. to lower its trade barriers. In other words, for the Lula regime its differences with the U.S. concern converting Washington to a consequential free market economy. Most of the leftists around the world who see the victory of the PT and Lula as the advent of basic or at least important social changes benefitting the poor and redistributing wealth and land, base their views on long outdated images of reality. Over the past few years the militants who built the party through grassroots movements have been replaced by "neo-lulistas", upwardly mobile functionaries, professionals with no history of class politics, who have joined the party to secure the perks of office and to facilitate business liaisons. What remains of the older reform social democrats have been shunted to marginal ministries or, if they dare to question the neo-lulista hegemony they are subject to punitive measures for "violating party discipline".

As in the case of England where Tony Blair's neo-liberal pro-imperialist "New Labor" replaced the traditional social democratic Labor Party, likewise Lula's orthodox neo-liberal strategists have created a "New Workers Party" without social content, without democracy.

Leadership and Party Democracy

From its founding to the late 1980's, the PT had a vibrant, open, free-wheeling internal life. Members came to general assemblies and debated with leaders and held them responsible for their policies, speeches and presence or non-presence at popular demonstrations. Leadership was collective and the different political tendencies argued their positions without fear of expulsion or being disciplined. To outside observers, particularly conventional U.S. social scientists, the internal party life was "chaotic". Yet great advances were made in recruiting new activists, militants volunteered for political activities and electoral campaigns and the party advanced despite the universal hostility of the mass media.

By the end of the 1980's, however, the social-democratic electoral wing of the party gained

ascendancy and proceeded to discipline and expel some sectors of the radical left of the party. Assemblies were replaced by leadership meetings of full-time functionaries who implemented policies and then opened the floor to debate with their radical counterparts in the party apparatus. Thousands of activists began to drift away, in part by the growth of clientelism, in part by the emerging vertical structures and in large part because the party turned almost exclusively toward electoral politics. Most outside observers continued to write about the PT as if it was still the “horizontal grassroots” organization of earlier years, confusing the debates between the different tendencies (left, right and center) of the party apparatus with the earlier popular assemblies. By the election of 1994 and continuing with greater intensity thereafter, the PT became a personalist party organized around Lula, as the embodiment of the Popular Will, and the competing party barons in their power bases in state and municipal governments. Increasingly, voluntary party activists were replaced by paid functionaries, political appointees to public office and public relations specialists in polling, image-making and television ads. Strict rules on electoral financing were breached as the leadership sought and accepted funds from state contractors to pay for the new and expensive mass media style of electoral campaigning.

With the new millennium, the party was run by a small nucleus of close advisers and a small elite of party bosses led by Ze Dirceu, who surrounded Lula and encouraged his personalist and increasingly authoritarian centralized leadership. Programs were no longer open to serious debate. The party program, everyone was told, was what Lula wanted in order to run for office, or later in order to win the campaign. Lula decided, with his coterie of advisers, to form an alliance with the right wing Liberal Party without consulting anyone, let alone the mass base concerning this strategic shift. The same group rammed through a new social-liberal program via its control of the full-time functionaries at the Party Congress just prior to the 2002 elections. Top down personal leadership became the hallmark of the PT – a far cry from its earlier horizontal structure.

The shift to authoritarian political structures facilitated the repudiation of all of the PT’s remaining social reformist demands. Lula and his clique decided not to support the ALCA referendum, despite the fact

that 11 million Brazilians participated and over 95% voted against ALCA.. The neo-lulistas saw the referendum as a threat to their alliances with the right and, more importantly, their rapprochement with the Bush White House. As the traditional PT program was discarded and Lula's opening to the Right deepened, his advisors increasingly projected the image of Lula as "the man of the people", the "compassionate Northeasterner", the "metalworker president". Lula played the dual roles of neo-liberal and "worker president" to perfection: to the favelados he provided hugs, tears, handouts and promises. To the IMF he guaranteed budget surpluses to pay bondholders, the firing of public sector employees and the promotion of agro-export elites.

The PT, contrary to most of the neo-lulistas, is a party which aspires to represent an alliance between domestic big industrialists and agro-business interests and overseas bankers: it hopes to retain the loyalty of labor via "social pacts" based on business-trade union agreements which will allow business to reorganize the workplace, fire workers to lower cost and increase part-time and short-term workers, in exchange for which trade union bosses will receive symbolic and monetary remuneration. The appointment of left-wing PT members as Agrarian Reform and Labor Ministries is designed to pacify the unions and the MST with symbolic, not substantive, representation. The job of the left PT ministers is to preach "patience" and to make inconsequential radical speeches to industrial workers' and landless workers' meetings. All the left-wing ministers are faced with limited budgets and a pro-business economic strategy that will undermine any substantial reform programs. They have to plead with the dominant neo-liberal economic ministers for any residual financial outlays, an undertaking with few prospects of succeeding. Some leftist ministers may resign, most will adapt to the liberal orthodoxy and argue for what they will call "new realism" or "possibilism".

The PT as a dynamic movement based on the working class -peasant party is dead. Long live the neo-lulistas and their paternalistic leader!

The Electoral Campaign and the Politics of the Lula Regime

The past weighed heavily on the mass vote in favor of Lula and the PT; the present and future, however, open new hopes and vistas for the overseas bankers and domestic elites. These two distinct and polarized perceptions and interests are important to keep in mind in analyzing Lula's electoral appeal among the mass of the poor and the pro-business economic policies which he promoted before and after his election. Lula's agreements and social pacts during his election campaign reflect the evolution of the PT over the previous decade and foreshadowed the orthodox neo-liberal policies he took immediately upon assuming office.

Several key factors during the electoral campaign prefigured the neo-liberal cabinet appointments and policies followed by Lula after his election: (1) Lula's economic and campaign advisers; (2) the choice of political allies; (3) the nature of the socio-economic program; (4) the agreement with the IMF; and (5) promises to meet with U.S. officials, overseas bankers and investors and the domestic industrial and agro-export elites.

A small nuclei of campaign advisers played the major role in shaping Lula's presidential campaign – advisers who were long known for their neo-liberal credentials. In effect, Lula bypassed all the democratic norms and party statutes in organizing his campaign, including the process of selecting his vice presidential running mate and formulating his future program. Three advisers stand out. Antonio Palocci, the former PT mayor of Ribeiro Preto, a city in Sao Paulo state, who coordinated the PT's campaign platform and established solid links with the business elite. He was the PT's top spokesman on economic policy during the electoral campaign and headed the transitional team after the elections. Palocci also engineered the PT's agreement with the IMF and was the architect of the orthodox monetarist and fiscal austerity economic policies. Lula later appointed him as Finance Minister. As mayor of Ribeirao Preto, Palocci allied himself with the local business elite and the sugar barons (FT, November 15, 2002, p. 3). He privatized the municipal telephone and water companies and partially privatized the municipal transport system. Apart from some low cost housing development, his neo-liberal policies were uniformly negative for the poor.

Crime rates increased, as did the lines at local hospitals. Seven years into his government only 17% of the city's waste water was being treated. Equally serious, water bills and regressive taxes increased and the public prosecutor is investigating 30 charges of government corruption in relation to public works contracts. As a result of Palocci's reactionary policies, Lula barely won the popular vote in Ribeirao Preto (in contrast to his 24 point national margin), a result likely to repeat itself in the next presidential election.

Jose Dirceu, former President of the PT, is Lula da Silva's most influential adviser for almost decade. He has been the major force in engineering the transition from social democracy to neo-liberalism. He was appointed chief of the president's cabinet and he presides over the everyday affairs of the President's agenda and appointments, as well as exercising disciplinary power over PT deputies and senators to ensure that they vote the neo-liberal line on appointments, legislation and priorities. Dirceu has already demonstrated his heavy hand in threatening to expel Senator Heloisa Helena for refusing to vote in favor of former Bank of Boston CEO Henrique Meirelles as head of the Central Bank and right-wing Senator Jose Sarney as President of the Senate.

The third close adviser to Lula during the campaign was Marcos Lisboa, an orthodox liberal professor and staunch monetarist. According to the Brazilian daily, ~~Folha de Sao Paulo~~ (December 22, 2002), he was selected by Palocci to formulate Lula's economic strategy. He is part of a large group of neolulists who jumped on the presidential bandwagon in the last weeks of the presidential campaign when it was clear Lula would win. This inner circle is backed by a wider ring of neo-liberal senators, governors and mayors who are deeply allied with business interests and who promoted privatization policies.

Those key advisers, along with Lula, decided on the political alliances to promote Lula's election. The strategy was to first consolidate control over the PT to ensure big city support, concentrating power at the top and then moving to the neo-liberal right to gain the support of the small towns and backward rural areas, and, more important, big business financing. Lula selected Alencar from the Liberal Party as his vice presidential partner. This brought Lula support from a substantial minority of Brazilian business groups and among right-wing evangelical groups backing Alencar, himself one of the richest textile capitalists in the

country and no friend of the trade unions, least of all those employed in his textile mills.

While the left PT objected verbally, they eventually swallowed da Silva's decisions, since they had no recourse, no chance of changing the selection since the issue was never discussed outside of Lula's coterie. Dirceu, Palocci and their regional party allies, then proceeded to form political pacts with center-right and right-wing parties all across the political map, in different states of the country. In some cases, the national leadership's' pacts with the right undermined local PT candidates, leading to the loss of several governorships. What is clear from these electoral alliances with right-wing parties is that they were not "opportunist" moves or merely electoral tactics. Rather, the alliances coincided with the neo-liberal ideology within Lula's inner circle and among key sectors of the PT's congressional representatives. The new right-wing allies plus the recently recruited neo-lulistas in the PT served as a counter-weight against the left-wing of the PT, further reducing their influence in the party and on the government. This was evident with regard to two important developments during the campaign: the PT's program and its pact with the IMF.

Lula and his neo-liberal team made a consistent and coherent effort to demonstrate their neo-liberal credentials to several key groups, including Wall Street, the Bush Administration, the IMF and the principal Brazilian banking and industrial elites. Palocci was a key bridge in all of these key negotiations.

The electoral program of the PT spoke to all of the major concerns of the financial and industrial elites. Privatized enterprises would be respected. Foreign debt payments would continue. Tight fiscal policies would be rigidly adhered to. Labor and pension "reform" would be at the top of the agenda (reform = weakened trade union rights and labor legislation, and reductions in public sector pensions). There would be no indexation of wages and salaries, but there would be for bonds and debt payments.

The PT's program was a clear continuation of the outgoing President Cardoso's disastrous neo-liberal policies and in some cases even a radicalization of his liberal agenda.

To further demonstrate their liberal orthodoxy to the bankers and industrialists Lula's team signed on to a pact with the IMF only a few weeks before his electoral victory. In exchange for securing a \$30 billion loan over a four year period, Lula agreed to a strict adherence to all the typical retrograde conditions

set forth by the IMF. Once in office da Silva even went beyond these harsh measures. The IMF agreement included the typical recessionary measures maintaining inflationary control by withholding large injections of fresh capital to stimulate growth, acquiescence in the disastrous privatization program unleashed by outgoing President Cardoso and a budget surplus target (beyond what is paid in interest payments) of 3.75% of gross domestic product, thus guaranteeing in advance that little or no funds would be available for any of Lula promises of "zero poverty", let alone financing a comprehensive agrarian reform.

Lula appointed a former President of a U.S. multinational investment bank (Fleet Boston Global Bank) Henrique Meirelles as the head of the central bank. Meirelles supported Cardoso's orthodox neo-liberal agenda and admitted to voting for Jose Serra, Lula's opponent in the presidential election . The Finance Ministry is in the hands of orthodox neo-liberal Antonio Palocci a member of the extreme right-wing of the PT. Luiz Fernando Furlan millionaire chairman of the agricultural company Sadia was appointed by Lula as head of the Trade and Development Ministry. Robert Rodriguez, president of the Brazilian Agribusiness Association and strong advocate of genetically modified crops was selected by Lula to be Agricultural Minister (FT December 17, 2002, p. 3). As a spokesman for the largest multinational commodity giants Rodriguez joins Monsanto, the international agricultural and bio-technology group engaged in a longstanding battle to permit sales of GM Roundup Ready soya seeds. Lula's economic team of neo-liberal ideologues and millionaires outlined the pro-big business agenda even before taking office. From the beginning, it was clear that popular expectations among the 52 million who voted for Lula and the 200,000 who cheered his inauguration would be profoundly disillusioned once Lula's economic team began applying the IMF agenda. Lula extended the reach of the right further by reappointing Cardoso's supporter Gilberto Gil as cultural minister, PT former governor of Brasilia, Cristovam Buarque, a strong advocate of privatization, as Education Minister. Cardoso's former ambassador to the U.S., Celso Amorin as Foreign Minister. To pacify the center-left of the PT, Lula appointed a number of officials to ministries which will be largely impotent given the tight fiscal and monetary policies imposed by Lula's big business economic team. By co-opting the left to the marginal ministries Lula hopes to deflect popular tensions and to cultivate

illusions among the leaders of the social movements, that his is a "balanced" regime. For the seven trade unionists, four women and two blacks in the cabinet, upward mobility outweighs concerns about neo-liberal policies. To ensure that neo-liberal policies are implemented, Lula da Silva is pushing a constitutional amendment which will make the central bank more responsive to foreign investors and bankers by making it "autonomous" of the national legislature and President.

Parallel to the selection of the big business cabinet, Lula's inner team of Paolucci, Dirceu and their economic advisors moved quickly to demonstrate their allegiance to U.S. imperialism, the big investment houses, and the Brazilian industrial elite. Between da Silva's election and his inauguration, neo-liberal advisers assured the U.S. that ALCA (FTAA-Free Trade Area of the America) was a framework for negotiations. Three weeks after Lula's election, Peter Allgeier deputy U.S. trade representative stated "We will be able to work with the new (da Silva) administration on trade issues across the board in the World Trade Organization, in the FTAA

and bilaterally. I feel very positive after having spoken to a number of people associated with the upcoming president" (FT, November 22, 2002, p. 4). Immediately after being elected the da Silva team was already laying the groundwork for close economic ties to U.S. imperialism, a point missed by many of the Brazilian left intellectuals like Emir Sader who continued to praise Lula's nationalist foreign policy (Punto Final, December 2002, p.2). A few weeks before his inaugural da Silva met with Bush in Washington where the two leaders agreed to a trade summit for Spring 2003. In addition da Silva also met with U.S. trade representative Robert Zoellick to discuss how the co-chairs of the negotiations on the ALCA could expedite its implementation (FT January 22, 2003, p. 12). The PT regime's pro-ALCA, pro-U.S. position was apparent when da Silva refused to support the referendums on ALCA and the U.S. base in Alcantara in Maranhao State, despite 10 million plus participants. Lula's decision to repudiate the 95% of voters who opposed ALCA and the U.S. base, and to move toward greater subordination immediately after the elections, is indicative of the massive deception perpetrated by his electoral campaign. As the inauguration of Lula neared, the neo-liberal nucleus running the government, made it clear that budget austerity, and high

interest rates, would take precedence over poverty reduction and development initiatives.

Though many of the left PT had doubts about Lula's alliance with the hard neo-liberal right including electoral pacts with ex-President Jose Sarney, and the corrupt ex-Governor of Sao Paulo Orestes Quercia and Paulo Maluf, they continued to describe the Lula regime as a government "in permanent dispute and tensions", without a fixed direction. Blinded by the presence of former leftists in marginal cabinet posts, they overlooked the deep structural and policy ties of the key economic and foreign policy makers.

Lula pressed all the buttons to please Bush, he publicly criticized Presidents Chavez of Venezuela and Fidel Castro of Cuba prior to his inaugural. Da Silva's inauguration speech was a masterpiece of duplicity - a double discourse to set his lower class supporters dancing in the street and assuring foreign bankers that his regime was their regime. Lula's speech spoke of "changes", "new roads", and the "exhaustion of a (neo-liberal) model" which he then qualified by speaking to a "gradual and continuous process" based on "patience and perseverance." He then spoke of "zero hunger" as the priority of his government. He spoke of Agrarian reform and developing the internal market but he also came out in favor of agro-export elites and free trade and against protectionism and subsidies. After having appointed the most rigid neo-liberals to every key economic post, he could not possibly be taking a "new road." After signing on to

the IMF austerity budget there was no way he could finance new employment, and "zero hunger." By putting anti-inflationary measures designed by the IMF as a priority there was no way Lula could lower interest rates to promote the internal market.

The double discourse belied a single practice, to continue and deepen the model that he denounced as leading to stagnation and hunger. Once in office Lula very early on demonstrated the vacuity of his promises of social welfare.

President da Silva in Power: Pushing Neo-liberalism to the Limits

Da Silva's neo-liberal appointees to strategic economic positions established the strategic

economic framework for the formulation of macro and micro economic and social policy. To understand what has transpired since da Silva took office it is essential to understand the underlying philosophy which guides his regime and to set aside his theatrical antics before the mass public and the populist gestures directed at pacifying the poor, the social movements and dissident members of the PT.

The operating philosophy of the PT regime has several key postulates (1) Brazil is in a crises which can only be addressed by satisfying the austerity policies promoted by the international financial institutions in order to secure new flows of loans and foreign investment, which are identified as the principal vehicles for development (FT, January 16, 2003, p. 2); (2) Brazil will grow only by providing incentives to domestic big business, agro-business and foreign multinationals (see Lula at Davos, FT, Jan. 27, 2003, p. 2). These incentives include lower taxes, reducing labor welfare provisions and strengthening business positions in labor-management

negotiations; (3) the free market, with minimum state intervention, regulation and control is essential for solving the problems of growth, unemployment and inequalities. The major task set by da Silva's economic team is to promote Brazilian exports to overseas markets - over and against domestic markets - and to pressure the U.S. and Europe to liberalize their markets (FT, January 16, 2003, p. 2); (4) growth will eventually result from price stability, foreign capital flows, tight fiscal policy and above all strict payment of public and foreign debts, hence the need to slash government budgets, particularly social budgets, to accumulate a budget surplus for debt payments and to control inflation. Once stability (the "bitter medicine") is achieved, the economy will take off into market driven export growth, financing the poverty programs to alleviate hunger. "Premature" welfare spending, raising the minimum wage, extensive poverty programs and agrarian reform would "destabilize" the economy, undermine "market confidence" and lead to deepening the crises and worsening the condition of the people (*Tiempos del Mundo* Dominican Republic, Feb. 20, 2003, p. 7).

These doctrinaire neo-liberal philosophical assumptions of da Silva's economic policies provide the basis for analysis and criticism. First we should consider the recent historical experience of Brazil to

critically evaluate these theoretical assumptions and then turn to the particular policies proposed or implemented by the da Silva regime and evaluate their likely impact on economic development, class inequalities and social welfare.

Da Silva, both in terms of the neo-liberal philosophy which guides his economic team and in actual economic practices represents a continuity, extension and deepening of the disastrous neo-liberal policies pursued by the Cardoso regime. On all major political economic issues, debt payments, free markets, privatization, monetarism, da Silva's regime follows the Cardoso regimes failed policies (FT Dec. 20, 2002, p. 2). These policies led to eight years of economic stagnation, profound social inequalities, increased indebtedness and a near collapse of a financial system, dependent almost entirely on volatile external flows of speculative capital. If anything, da Silva's economic policy extends the liberal agenda, by seeking to reduce pensions for wage and salaried workers, increases the budget shares allotted to debt payments and greatly exceeds Cardoso in terms of cuts in the social budget. If we can consider Cardoso an orthodox neo-liberal, da Silva's regime can be considered neo-liberal Talibans.

Implementing the Neo-liberal Dogma

One thing must be said about da Silva's economic team, they have lost no time in fulfilling their pre-inauguration promises to the IFIs, international bankers and the local industrial elites. There is no balancing act (FT, Jan. 24, 2003, p. 2) between the fifty-two million voters with expectations of social improvement and da Silva's commitment to the economic elites. Few ex-left governments have moved so rapidly and decisively to embrace and implement a right-wing agenda as has the da Silva regime.

Budget

In line with meeting the demands of the IMF and the economic elites, the da Silva regime slashed the budget by \$3.9 billion (USD) (FT, Feb. 11, 2003, p. 66; La Jornada, Feb. 11, 2003). Included in the budget cuts was reduction in the promised minimum wage from \$69 (USD) to \$67 (USD) per month to take effect in May 2003, five months after taking office. Given the sharp rise in inflation, this will reduce the minimum below the miserable level of the previous Cardoso regime. Over \$1.4 billion (USD) of the \$3.9 billion will come out of the social budget. A closer analysis of the budget cuts reveals that reductions will affect food programs, education, social security, labor, agricultural development, cities and social promotion. Altogether, social cuts came to 35.4% of the budget reduction. Even da Silva's much publicized pet project "zero hunger" was slashed by \$10 million leaving \$492 million to attend to the 40 million malnourished Brazilians. The budget cuts mean the funds budgeted for the hungry amount too \$10 (USD) a year or \$0.85 (USD) a month or 2.5 cents per day. The major reason for the social and other budget cuts was to increase the budget surplus to meet IMF and debt payments. Da Silva's neo-liberal Talibans increased the surplus from 3.75% of gross national product agreed to with the IMF in June 2002 (under Cardoso) to 4.25% in February 2003 under the leadership of the former metal worker and "people's president". In other words da Silva increased the budget allocation to meet debt obligations from \$17 billion USD to \$19.4 billion USD or by nearly 14%. The \$2.4 billion USD add on was a direct transfer from the social budget to the foreign and domestic bond holders. Da Silva transferred funds from the very poorest, the working and middle class and

allocated it to the very rich.

Da Silva's budgetary policies will deepen Brazil's infamous inequalities not reduce them. Lula's theatrical gestures of asking the poor people who voted for him to "pardon" him for ordering this "bitter medicine" will certainly not bring much sympathy from the millions of minimum wage workers who will see their meager incomes and social services decline. Certainly the cuts in government spending will not provide any stimulus to the economy and more likely will deepen the economic recession.

Free Markets

Da Silva and his Finance Minister Palocci have rejected any protectionism, moved to extend privatization and refuse to correct the worst abuses of privatized enterprises. Palocci defends international regulations (World Trade Organization policies) as a means to attract foreign investment and rejects protectionism for local industries and privileges foreign capital in competing for public tenders (state contracts). Palocci argues "Brazil doesn't want to close itself. We want to sail the open seas of the global market" (FT, January 16, 2003, p.2). He rejected any state intervention as "artificial mechanisms" of public financing to stimulate consumer demand among millions impoverished Brazilians. "Generating the right conditions, market forces will increase income and corporate productivity", according to da Silva's economic czar. This Taliban neo-liberal conveniently forgets that it was precisely the "market forces" in Brazil which created the mass poverty and the worse inequalities in the world over the last 100 years of capitalist expansion.

Palocci with the unquestioned backing of President da Silva and the rest of the economic team, announced the privatization of four state banks, the "privatization" of the Central Bank (under the pretext of autonomy from elected officials) and the promotion of a law that guarantees foreign capital 100 percent control of a substantial sector of Brazil's telecommunication industry. Faced with the failure of AES, the US power company, to meet payments on its purchase of Electropaulo - a power distributor in Sao Paulo City - da Silva's economic ministers refused to re-nationalize the company despite its glaring financial

mismanagement (FT, February 26, 2003, p. 15).

Dogmatic belief in the virtues of foreign capital as the engine of growth blinds the da Silva regime to the precariousness and vulnerability of their strategy of tying Brazil's development to international financial capital. For example, during the last week in January 2003 the Brazilian currency (the real) lost 10 percent, reversing previous gains over the previous three weeks. The yield spread of Brazilian bonds over U.S. treasury bonds widened by two percent to over 14 percent. Domestic austerity and other neo-liberal pronouncements were not enough to compensate for international tensions. In effect, by adapting the neo-liberal agenda and

financial dependence, Brazil will follow one austerity policy after another, austerity without end. The outlook for 2003 is for ~~further~~ budget cuts to compensate for the market war fears (FT, January 29, 2003, p. 2). The Central Bank will be forced to raise interest rates further to attract speculative capital to the detriment of national industrialist and farmers. As in every other economic policy area, da Silva has consistently reversed positions: when he was elected he promised lower interest rates. During the first days in power, the Central Bank raised interest rates from 25% to 25.5% and one month later (Feb. 19, 2003) raised them to 26.5% thus precluding any possibility of economic recovery and national investment.

Prices

Da Silva's policy toward consumers and health issues follows directly from neo-liberal dogma and in complete opposition to the expectations of his popular followers.

The regime approved new price hikes by privately owned utilities - thus increasing the burden on the poor (FT, Feb. 18, 2003, p. 4). In February, da Silva eliminated price controls on 260 pharmaceutical products and promised to liberate 3,000 medicines from price controls in June 2003.

In a bizarre twist, to compensate for declining living standards da Silva promised to install 4,200 computers for the poor and give them 10 minutes free time daily. Given the price-wage squeeze on wage earners and the potential for discontent, Lula is ensuring the loyalty of the police - he granted them a 10%

salary increase.

Pensions

The da Silva regime true to its IMF masters points to pensions as the source of fiscal deficits.

Ignoring mass tax evasion by the rich, the long-term tax concessions and incentives to the multi-national corporations, like a true neo-liberal da Silva proposes a massive reduction in pensions, especially to public employees. Citing a handful of generous pensions to some top officials da Silva is set to reduce public employee pensions to the low levels of employees in the private sector. In a piece of entertaining charlatanery da Silva presents his pension reform as a battle for equality - lowering public pensions to the private level is equalizing misery while progressive egalitarian measures would raise the lower pensions. The cuts in pension funding promise to be in the billions of dollars and public savings will be directed toward lowering taxes for the industrial elite. The pension policies are likely to further aggravate class inequalities, impoverishing pensioners, and enriching the industrial elite.

It is no wonder that da Silva received thunderous applause from the super rich in Davos. As Caio Koch Weser, German's State Secretary of Finance said of da Silva: "The key is that the reform (neo-liberal) momentum gets the benefit of the enormous credibility that the president brings" (FT, January 27, 2003, p. 2).

Da Silva's deliberate manipulation of his working class origins to promote a big business agenda was and is much appreciated by the shrewd financiers on both sides of the Atlantic.

ALCA and U.S. Imperialism

Throughout Latin America mass popular movements have emerged protesting against ALCA. Millions of peasants in Mexico, Ecuador, Colombia, Bolivia, Paraguay, and Brazil have blocked highways and demanded that their governments reject ALCA. In Brazil during 2002 a referendum was held on ALCA, supported by the MST, progressive church groups, the Central Labor Confederation (CUT) and leftist parties

except the PT. Over 10 million participated and over 95% voted against ALCA and the U.S. military base in northern Brazil. Da Silva refused to participate and ordered the PT not to become involved. Once elected he ignored the 10 million voters against ALCA and accepted to be co-partners with the U.S. in the negotiations to

consummate agreement on ALCA.

ALCA is a radical comprehensive trade agreement which, if implemented, would transfer all trade, investment and other economic policies to a U.S. dominated economic commission, probably located in the U.S., which would oversee the privatization and U.S. takeover of the remaining lucrative state owned public utilities, petroleum, gas and other strategic industries. At a speech at the National Press Club in Washington, da Silva pledged to create a western hemisphere trade pact. He pledged to push ahead with the Free Trade Areas of the Americas (ALCA) and was ecstatic about his relation with President Bush. "My impression of Bush was the best possible" (FT, December 11, 2003, p. 5). Da Silva and his economic team's main objection to ALCA is that it must reduce trade barriers for Brazil's big agro-exporters. The "worker president's" embrace of the most aggressive militaristic U.S. president, one engaged in preparations for a genocidal war against Iraq and the military overthrow of the democratically elected government of Venezuelan President Hugo Chavez, must indeed touch the lowest point of political servility in Brazilian political history. As many critical economists have demonstrated, ALCA will destroy family farmers and peasant agriculture, increase the number of landless peasants, hunger and mass migration to the urban slums, making a mockery of da Silva's "zero hunger" program. Da Silva's pitiful handouts of temporary food relief will not compensate for the millions of new poor and destitute resulting from his doctrinaire neo-liberal policies. Da Silva claimed that his "zero hunger" scheme was "much more than an emergency donation of food. We need to attack the causes of hunger, to give fish and to teach how to fish" (FT, Jan. 31, 2003, p.2). Instead, with ALCA, da Silva will be attacking the poor, not hunger, and strengthening and deepening the causes of hunger, not lessening them.

In pursuit of the best possible relations with President Bush, Brazil's foreign minister Celso Amorin

sought to intervene in the Venezuelan conflict. Amorin offered to mediate the dispute between the constitutionalist President Chavez and the pro-U.S. authoritarian movement, the self-styled "democratic coordinator", by organizing groups of nations dubbed "Friends of Venezuela". The so-called "friends" included Spain and the U.S., both of which supported the April 11, 2002 failed coup against Chavez. In addition the "friends" included neo-liberal regimes, Chile, Mexico and Portugal and of course Brazil. President Chavez who belatedly became aware of Amorin's trap, asked that a few more friendly countries be included. Da Silva and Amorin refused and the Brazilian ploy on behalf of the U.S.-backed opposition became a dead letter. Chavez told the "friends" and their Brazilian sponsors to keep out of Venezuela's internal affairs. This didn't prevent Amorin from declaring that the Brazilian regime was open to meet with the Venezuelan golpistas (La Jornada, January 22, 2003).

Agrarian Reform

The greatest concentration of poverty, hunger and unemployment is found in rural Brazil. The principal problem is the great concentration of landownership in the hands of a small elite and the 4.5 million landless peasants and rural laborers. Since 1983, the Rural Landless Workers Movement - the MST - through great sacrifice and discipline has occupied large landed estates and settled over 350,000 families. Up to the late 1990s da Silva promised a comprehensive land reform if he were elected. During his election campaign however, he demanded that the MST not engage in land occupations - they complied for the first time in their history. In his campaign speeches da Silva sought the support of right-wing pro-landlord parties by promising to apply the full force of the law against "illegal land occupations" - those outside the bounds of his proposed agrarian reform. Da Silva was strangely silent on the scope and depth of the agrarian reform he promised. Once he was inaugurated, he announced that for 2003, the agrarian reform target was to settle 5,500 families in 200,000 hectares of land.

Da Silva's target was one-tenth the number of families settled under the previous neo-liberal regime of President Cardoso, and one twentieth what the MST was expecting from the "people's president". At the

rate of settlement, the da Silva was proposing it would take 1,000 years to settle the 4.5 million current landless families while those who came after, a multiple of the 4.5 million would still be landless. Once in office, da Silva continued the old reactionary policy of violently evicting land squatters from unproductive land. His left agrarian reform minister announced new plans, to be unveiled in the second half of 2003.

Several points are clear. Da Silva's agrarian policies are a huge step backwards from the point of view of presidential policy. From the perspective of agricultural policy, his regime is fully committed to the big landlord, agro-business export elites. His policies will greatly enhance the profound inequalities in the countryside and lead to greater rural discontent. Most likely this will lead to bloody clashes between the landless peasants seeking land and da Silva's law and order policies backed by the military police. No doubt da Silva will also ask for forgiveness and shed a few tears for the dead peasants as he proceeds to embrace his new allies in ALCA.

Labor Policy: “Reforms” that Benefit the Bosses

What is important in analyzing a political leader is not where he comes from, but where he is going, not his reference group in the past, but his present and future reference groups. Political observers have been wrong in their analysis of da Silva because they focus on his distant past, his former trade union comrades, not his present neo-liberal bankers, businessmen and imperialist allies. When da Silva proposed a social pact between labor, business and the government purportedly to work for the betterment of the country, he set up a Social Economic Development Council to formulate policy recommendations. The composition and agenda of the Council revealed da Silva's pro-business, anti-working class bias. Of the 82 members of the Council, 41 are businessmen and 13 are trade unionists, a better than three to one proportion favoring the bosses. The purpose is to discuss tax reform - reduce business taxes - and social security reform, decrease payments to workers, pensioners and other beneficiaries. When da Silva was confronted with the preponderance of the business elite, he roundly defended his pro-business bias, embellishing his choices with an apolitical,

meritocratic varnish and accusing his critics of nepotism. "This council", da Silva argued, "is not a friends' club. I am not interested in knowing the party affiliation (sic) of the members of the Council or for whom they voted. What interests us is the competence, the capacity, their talent and knowledge to think for their country"(Tiemplos del Mundo (Dominican Republic), Feb. 20, 2003, p.7). Da Silva conveniently forgets that his businessmen's disinterested talent for thinking for the country has resulted in the greatest social inequalities in the world. Da Silva deliberately overlooks the class interests of the business elite precisely because they are his strategic allies in his pursuit of orthodox neo-liberal policies. Da Silva and all his top economic advisors have consistently relied on neo-liberal allies within the PT and on the right outside the PT to push through his anti-working class, anti-popular policies. Da Silva ordered the senators to vote for Jose Sarney , the notorious right-wing former president, as President of the Senate (FT, Feb. 3, 2003, p.4). Sarney is an ardent supporter of da Silva's labor "reform".

The right-wing alliances of da Silva have already enmeshed his regime in a major scandal. In late February right-wing Senator Antonio Carlos de Magallaes from Bahia was proved to have tapped the telephone of over 200 congressmen, senators and other prominent political figures. The Senator supported da Silva during the presidential campaign and was seen as a strategic ally in providing support for da Silva's neo-liberal legislative agenda including labor "reform". When numerous deputies demanded Congressional hearings, President da Silva and his inner nucleus of advisors ordered PT congresspeople to vote against the congressional investigation - badly tainting the image of the "honest and open peoples' president."

Da Silva's labor reform strategy is directed toward weakening the trade unions, undermining constitutional guarantees of labor rights, and lowering labor costs to increase profits for employers under the guise of making exporters more competitive. His legislation proposes to eliminate payments by private sector capitalists to the trade union funds and abrogating obligatory payments of union dues. His second piece of legislation proposes to allow capitalist to secure labor contracts that override legally established workers' benefits (FT, November 26, 2002). The former metalworker bashes his workmates and repays the CUT for its electoral

support by topping his legislative agenda with the principal demands of the industrialists' association.

Da Silva's mechanism is to co-opt the bureaucratic bosses of the CUT by offering them positions and stipends as advisors to his regime. CUT president Joao Felicio, one of the co-opted bureaucrats stated "We (sic) have a certain sympathy for the reforms, but they have to be negotiated and imposed gradually." The trade union national secretary of the PT, Hergurberto Guiba Navarro bluntly stated the purpose of labor reform. "We are going to undertake a grand reform and many unions will disappear" (FT, Nov. 26, 2003, p.8).

Given da Silva's hard push of ultra neo-liberal orthodoxy and the co-optation of the CUT leaders, it is not surprising that the main working class opposition comes from the moderate right-wing trade union confederation Forza Sindical (FS). In March, the metal workers affiliated with FS went on strike over declining real wages. FS is leading the fight to reduce the work week from 44 to 40 hours, to increase severance pay and extend unemployment benefits (to increase coverage from 5 to 12 months), and for legal recognition of workers' representation on the shop floor. The da Silva regime is adamantly opposed to all of FS demands claiming they are inflationary and threatening repressive measures against what they dub political demands, an old ploy employed by all previous right-wing regimes, prior to lowering the police baton on striking workers' heads.

Taxes, Wages, and Employment

The da Silva regime is going full force to reduce employer taxes, particularly industrialists, while increasing wage and salary workers' tax load by 27% since coming to power. His regressive tax policies are justified by arguing for capitalist "competitiveness", while his tax increases are justified by citing the fiscal deficit. In the meantime unemployment is increasing, consumer power declines, and increasing interest rates preclude new investments. High budget surpluses for debt payments undermine public investments. (Cesar Benjamin, ~~Caros Amigos~~, March 2003).

Early in his regime, da Silva and his economic team predicted upward of 3% growth. By the end of February, most economists were talking about zero per capita growth (Mario Maestri "Sem Luz no fim do tunnel" La Insignia, March 4, 2003).

The orthodoxy of the da Silva regime is leading to greater inequalities, unemployment and hunger. Da Silva's appeal to the Davos billionaires for a new world order and contributions to fund an anti-poverty fund drew skepticism and most likely discreet and cynical smiles. "Why", asks the Financial Times, "should the billionaires support a new order when they are doing so well with the existing order" (FT, Jan. 27, 2003., p.2)? Da Silva's appeal for charity from the corporate wealthy to fight hunger demonstrates the bankruptcy of his public policy, and economic strategy.

The Opposition: Regime, Party and Social Movements

Da Silva's political strategy is to seek "broad" alliances with right-wing parties, political notables and religious groups to isolate and neutralize the social democratic and leftist members of his own party, the progressive sectors of the church and the dynamic social movements, including the MST. In addition to his right-wing alliances within the country, da Silva built solid ties with Bush, the IMF and right-wing, neo-liberal regimes in the region through his support for ALCA, his proposed "Friends of Venezuela" -- packed with supporters of the coups against Chavez and his interview (March 7, 2003) with paramilitary Colombian President Alvaro Uribe, offering Brazil as a "mediator" -- to disarm the guerrillas ~~EL Heraldo~~, Barranquilla,

Colombia), March 4, 2003). Equally significant, da Silva equally coopted a large sector of the left-wing of PT into his government, offering them minor ministries in exchange for their support of his neo-liberal economic and foreign policies and ministers. Among da Silva's "left" collaborators are Marina Silva (Environmental Minister), Miguel Rossetto (Minister of Agricultural Development from the Trotskyist, or ex-Trotskyist, Democratic Socialist Tendency of the PT), Olivio Dutra (Minister of Cities), and Tarso Genro (National Secretary of Social and Economic Development). If da Silva provides credibility for the IMF program through his mass supporters with his past popular credentials, the "left" PT ministers give a certain legitimacy to the neo-liberal policies among the activists of the PT and cultivate illusions among some of the leaders of the social movements.

The remaining left factions in the PT critical of da Silva's embrace of the ALCA, Bush, the IMF and neo-liberal policies are divided into two groups. One inside the regime argues for a more "national" content to the neo-liberal policies, fewer ties to finance capital and more links to the national capitalist class. This group is headed by Senator Alorizio Mercadente and Carlos Lesser. This group has little or no influence on the central economic leadership and confines its criticism within the inner circles of the party elite.

The other left critics of the PT include the courageous Senator Heloisa Helena from the state of Alagoa who has publicly criticized da Silva's appointment of Henrique Meirelles, a Wall Street favorite, to the Central Bank and the PT's support of right-wing senator Jose Sarney as President of the Senate, as well as its neo-liberal policies (*Corriente de Izquierda*, Dec. 13, 2002 and *Corriente de Izquierda*, Feb. 6, 2003). Senator Helena, commenting on the sense of anguish and despair over da Silva's embrace of neo-liberal politics after risking life and limb for over two decades to elect him speaks for many PT rank and file militants: "It is sad and agonizing [to be an adversary of my party]. I know all the years of dedicated work for the PT. Today it is easy to walk around with the little star [symbol of the PT] on your breast, to be a neo-lulista or neo-PTer because of the pop-star condition of the president and the broad support which the mass media are giving to the government. But I who was beaten and had my house machine gunned and my teeth smashed....This party does not belong to the few [at the top] who believe they can do with the PT

whatever they want just because they occupy important spaces in the centers of power" (*Revista Veja*, Jan. 28, 2003).

Helena stated clearly that she will continue to battle the right turn in the PT until she senses it is a lost battle and then she will resign (*Revista Veja*, Jan. 28, 2003). For her eloquent and forceful critical remarks, da Silva and Dirceu, the PT hatchet man, moved to silence Helena, lest her message reach the rank and file and give courage to others in the Party. The President of the PT Jose Genoino led the lynching party to censure Helena and lay the groundwork for a future expulsion. Along with Dirceu they find her left criticism intolerable.

The increasing authoritarian centralized power of the PT is closely related to the centralized economic decision-making in the government and both are related to the turn of ultra-orthodox neo-liberal, pro-imperialist policies of the regime.

Nevertheless, Helena's opposition and the repressive policies of the da Silva leadership has rallied forces within the PT. Congressman Raul Pont of the Democratic Socialist faction defended Helena's right to criticize and called for "fraternal debate without pressures nor sanctions" (*Correio do Povo* (Porto Alegre), Feb. 6, 2003). Leading the call for harsh disciplinary reprisals against Helena are two ex-social democrats (in the left of the PT) now serving as regime Ministers, Tarso Genro and Olivio Dutra (*Correio do Povo*, Porto Alegre, Feb 6, 2003), while several left PTers are organizing a network of supporters within the party. According to one source, the Dirceu-Genoino clique has a list of five parliamentarians to be isolated and later expelled.

Currently the left-wing of the PT, the tendency "Left Articulation" will remain loyal to the Party, pass critical resolutions at the factional meetings but vote as directed by da Silva regarding key neo-liberal legislation. Embedded in the government either as parliamentarydeputies, state or local officials, the left has a vested interest in sustaining the right-wing da Silva regime, hoping for a "left turn" or a division between da Silva and his key economic policy-makers (see "The Resolution of the National Conference of Left Articulation," post-election document 2002).

In reality, the left critiques of ALCA, and neo-liberalism fall on deaf ears, while the continued ties with the regime and the upholding of party discipline ensure that the left PT will play no role in initiating a real opposition to da Silva's right-wing regime. On the contrary, the left PT's limited dissent and "insider" approach will sow illusions that "renovation" of the reform agenda is possible within the regime, thus blocking the growth of a mass opposition outside of the PT and the da Silva regime. The utter political confusion in sectors of the left PT and capitulation of others, leaves few options for the increasing discontent, surfacing among the metal workers, the MST and sectors of the progressive church.

Social Movements and Trade Unions

The CUT, the left labor confederation, with close ties to the PT, particularly da Silva, had numerous leaders elected to Congress and some are ministers in the regime. So far, few, if any, voiced criticism to da Silva's right turn. The CUT itself, though claiming 15 million affiliates, has been largely bureaucratized, with a large staff and is dependent on state funding. The CUT's power of convocation is very limited, no more than a few thousand turn out for major protests. From the beginning of the da Silva regime, the CUT leadership has adopted a double discourse. Shortly after da Silva's election, the CUT was invited to discuss the new regime's "Social Pact" to reduce pensions, postpone wage and minimum wage increases and to weaken the financial basis of trade union funding. The CUT leadership declared its independence to the government but agreed to continue to participate in the Social and Economic Council even though businesspeople and bankers outnumbered the trade unionists by more than three to one. Subsequently the CUT continued to criticize the harsh neo-liberal budget cuts and reactionary reallocation of funds favoring local and foreign bondholders, while continuing to support the da Silva regime. Worse, on the purported right-wing Social Pact the CUT's main difference with the neo-liberal economic team was the manner of its implementation -- advising the neo-liberals to "gradually implement" the anti-working class measures, rather than imposing the whole packet of harsh measures immediately. The CUT's servility to the da Silva regime is a continuation of the negotiating posture it has adopted with previous neo-liberal regimes, in part because

of its dependence on government subsidies. In addition, there are strong structural ties to the PT via the ex-CUT officials serving in the regime and the promise of a future position in the regime or inclusion on the list of deputies for the next Congressional elections. Finally, there is the bureaucratization of the CUT, its leaders and staff have been running the unions in vertical fashion for over a decade, marginalizing militants and totally incapable of organizing the vast army of unemployed and under-employed. The results are evident in any major protest demonstration regarding ALCA, IMF or the rash of privatizations under Cardoso. The CUT leadership, having demobilized its membership for over a decade, was not able to put more than a few thousand in the street -- and most of those CUT members present were largely mobilized by militants from PSTU, PC do B and the left-wing of the CUT. Leaders of the MST have told me that the progressive sectors of the Catholic Church can mobilize more people than the official leaders of the CUT. What confuses outside observers of the CUT is the fact that its leaders show up to make speeches or sign declarations in favor of radical demands giving the impression that it is still a radical mass trade union. Despite the harsh anti-labor legislation envisioned by the da Silva regime, there are few signs of active opposition from the official leaders, though by early March of 2003 many class conscious trade unionists were shocked and angry at what they perceived as da Silva's pro-business partisanship. Most investment advisers give da Silva six months to a year before major conflicts will break out to challenge his neo-liberal agenda, thus urging Palocci and the rest of da Silva's team to take the fast track and ram the "bitter medicine" through Congress before the poor, the landless and the trade unions overcome their illusions about the "people's president".

The Left Intellectuals

The intellectuals backing da Silva's regime can be divided into orthodox lulistas, like Frei Betto and Emir Sader, and the neo-lulistas, attracted by the neo-liberal policies and the chance to secure advisory positions in the regime or state 'contracts'. The orthodox Lulistas' main role, at least in the first six months of his regime, is to continue to polish da Silva's image as a

"people's president", apologize for his regime's reactionary pro-imperialist policies by citing the "difficult and complex world", "the impossibility of breaking with the IMF now" (Sader) and elaborating a new "pragmatic" approach, which seeks to balance da Silva's right-wing economic policy-makers with the so-called "leftists" who operate in the interstices of tight budgetary and ideological restraints of the dominant right-wing group. Sader and Betto, who sang to the chorus of the FSM's "another world is possible" now add a new refrain, "not, now, not with Lula, another day it's possible." The new pragmatists also serve as the ideological hatchet men who disparage and dismiss leftist critics of da Silva's right-wing policies.

The neo-lulistas are not as harshly critical of the leftist critics, as they do not feel any obligation to cover their tracks to the right. By beliefs and practices, they position themselves as "technocrats" and "progressive" neo-liberals who are interested in a "heterodox" free market model that combines competitive markets and social spending, though they spend most of their efforts on the former and usually point to the future regarding any obligations to what is dubbed the "social debt".

The left intellectuals are spread across the political spectrum. Many are part of the left of the PT, others are outside the Party as well as the regime. Neither group has any perspective of building a new political and social movement to contest the savage cuts adopted by da Silva. They hope that they can influence the regime via the progressive ministers or via outside pressure on the regime or that the crisis produced by the current neo-liberal policies and economic team will cause da Silva to make a "left turn". They forget that it is da Silva who appointed each key economic and financial minister, relies on his key political advisers in the PT who are architects of his policies and that he personally supports all of the major retrograde legislation. As Palocci stated, "Lula knows and agrees with each and everyone of my public policies."

A very few intellectuals have begun to question the regime, its policies and its class base, but as yet their political future is undetermined, particularly their future political course.

The MST

The Rural Landless Workers Movement faces a profound dilemma: after years of building a successful mass independent socio-political movement that settled over 350,000 landless families on unproductive land via direct action (land occupations), it has been immobilized -- substituting electoral work for da Silva and then hoping for positive agrarian reform legislation. The past success of the MST was based on its capacity to prioritize independent mass action, even as it supported some progressive electoral candidates of the PT. Having relied on da Silva's election as the fulcrum for a comprehensive agrarian reform, they are now faced with a regime that has repudiated every one of their supposedly "shared reforms".

For several years prior to the presidential elections, there were open debates and discussions in the MST regarding the movement's political future. Some argued that the PT was turning into a conservative or social democratic electoral party and that many of their state and locally elected leaders were hostile to agrarian reform and, in some cases, actually repressed land take-overs. They concluded that the MST should form its own party with other social movements and leftist groups. A second group conceded that the PT was becoming more conservative and they also repudiated the right-wing PT governors and mayors, but they argued that the MST should run its own candidates in the PT or at least work more actively within to influence it in a more progressive direction. The third force and the most influential, at least among the national leadership, tried to bridge the differences. They agreed to work outside the PT to try to coalesce with the progressive church, human rights groups and left intellectuals to elaborate an alternative program and organization. Thus was born the Consulta Popular (CP) which began with great fanfare and then decayed because combined with this new tactic "to the left" was the old tactic of influencing the PT from within. In effect, the CP was neither a new movement nor a new electoral party. It was squeezed between direct action and electoral politics and was not able to attract any sizeable trade union or urban support.

Da Silva's electoral campaign of 2002 demanded and secured from the MST an unprecedented concession: the stoppage of all mass direct action – no land occupations - arguing that this would "play into the hands of the right", "scare" the middle class voters and cost da Silva the elections. Unfortunately, for the

first time MST fell into the trap. They stopped mass action and joined the electoral campaign despite da Silva's reactionary alliances and the clear hegemony exercised by pro-imperialist interests. The MST substituted vague "populist" statements for class analysis -- after all tens of millions of poor would vote for Lula and their expectations for a rupture with neo-liberalism would force Lula to respond positively.

Predictably, da Silva, upon taking office, ignored the "popular expectations" or better still asked "pardon" for ramming the neo-liberal pole up the populace's backside. Unfortunately, most of the MST leaders continued to hold out hope, less on da Silva, but now on the impotent minister of agrarian reform and other left functionaries in the same ministry. Miguel Rossetto, the Agrarian Reform Minister and member of the left Socialist Democracy tendency of the PT, argued he would do everything to comply with the agrarian reform promises within the extremely limited budget constraints imposed by his government -- a clever piece of demagoguery.

Meanwhile, tensions were mounting within the MST as rank and file activists and over 60,000 land squatters who were camped out under plastic tents, suffering heat, cold, food shortages and mosquitoes were becoming restless. A small number of land takeovers began to take place. A movement like the MST must act or disintegrate. No emergency measures were forthcoming from the da Silva regime. Agrarian reform was relegated to the back burner, along with zero hunger and other of da Silva's electoral promises. The argument of some MST leaders to work from within was wearing thin. Some national and regional leaders publicly expressed their discontent with the government's unresponsiveness (*Folha de São Paulo*, Feb. 9, 2003). Joao Paulo Rodriguez, the national coordinator of the MST, demanded the government set a time schedule to realize the agrarian reform, expressing worries over the inaction - 40 days after da Silva's inauguration. Rodriguez warned the da Silva regime that they could not continue to wait, stating that there were 60,000 families waiting for settlement. As he pointed out, "We cannot wait. We think as a social movement, not like a government". The government has appointed several progressives sympathetic to the MST and other groups to the Agrarian Reform Institute (INCRA) -- but with few resources. More important, da Silva has taken an extremely rigid and hostile position toward the traditional land occupation tactics of

the MST -- a promise to apply the full force of the law [sic] to repress the movement. He argues that any agrarian reform measures will have to be part of a regime sponsored program -- which the post-election budget promises to be totally insignificant."

Sooner or later the MST will have to recognize that the landless rural workers have no future with the da Silva regime, that the movement will have to part ways and return to the tried and proven method of mass direct action or suffer splits, decline and co-option.

Conclusion

The da Silva regime represents two dangers. In the first instance, his regime represents a threat to the living standards, working conditions and social life of the vast majority of wage, salaried and pensioners of Brazil. The threat is all the more acute because it comes from political parties or a coalition of parties and social organizations that were the prime defenders of the working and peasant classes who have now joined their enemies and thus leave the masses temporarily defenseless. In addition to the physical pain and social suffering which the da Silva regime is bringing about, the right turn will cause immense social psychological damage, provoking mass disillusionment not only with the PT regime and its public faces, but it will bring mass disenchantment with the whole spectrum of parties, trade unions and social movements who promoted da Silva as the "people's president". Equally important, the PT ideologues, like Sader and Frei Betto who have justified da Silva's politics as "realistic" and/or "pragmatic" have made plausible, especially to ill-informed leftist intellectuals, the idea that there really is no alternative to adapting to the neo-liberal policies. By assimilating da Silva's right-wing policies to a general leftist label, the lulista ideologues threaten to redefine the left along the neo-liberal politics of the Spanish Socialist and British "New Labor" parties, in effect, emptying Brazilian leftist politics of its essential welfare and socialist content.

Secondly, the international left, which has joined the Lula chorus, is leading the popular movement toward a massive political debacle. The ill-informed effusive praise of da Silva's electoral victory as the greatest revolutionary change since the Cuban revolution, Salvador Allende's election or the Sandinista

revolution, is preparing the ground for a tremendous disillusionment as the reactionary policies begin to penetrate popular consciousness. Two outcomes are likely. On the one hand, a part of the Latin American left will take da Silva's right-wing path as a model and abandon historical anti-imperialist and redistributive popular demands – citing the “constraints” facing da Silva and other such rationalizations. On the other hand, other left-wing movements will rethink the entire electoral strategy, particularly the relation between party and movement. From a practical, historical perspective, it is clear that the divorce of the PT from the mass movement and mass struggle early on laid the groundwork for its devotion to class collaboration practices and eventually pro-imperialist regime policies.

Theoretically, the dynamics of class struggle and the emergence of direct action mass movements like the MST were instrumental in creating a challenge to the neo-liberal orthodoxy, particularly in the context of failed neo-liberal states. Economic stagnation, deepening inequalities, ballooning external debt -- together with a leftist critique -- created the basis for the decline of the traditional neo-liberal right, but not the sufficient conditions for the rise of radical or even reformist alternatives. Instead, the political conditions of a new virulent hybrid orthodox neo-liberalism emerged based on the working class, the middle class, the landless workers, led by plebeian ex-leftists, but directed and subordinated to international capital.

Theoretically, the PT's radical rupture with its leftist past was possible because of the plebeian nature of the leaders, the manipulation of popular imagery and the hierarchical, personalistic and authoritarian nature of the party leadership. The popular origins of leaders neutralized internal opposition and enforced conformity with the right-wing course. After all, who was willing to stand up to the “people's president” when da Silva embraced George Bush, the eminent war monger of our epoch and called him an “ally of Brazil”? Who stood up among the pragmatic ideologues of the “people's movement”?

Da Silva has a clear, coherent neo-liberal strategy based on an alliance with the IMF, Washington, overseas investors and creditors. He and his advisers have put in place an effective strategy to limit internal party opposition, using the carrot (of offering ministries and secretariats) and the stick (threats of censure and expulsion to persistent critics). Through state patronage and party discipline, he has converted PT

mayors and congress people into transmission belts for his harsh austerity programs. There are exceptions, of course; a handful of PT elected officials who still uphold the traditional social democratic, reformist program, but they have been marginalized, abandoned in large part by their former comrades with a voracious appetite for the spoils of office and small fiefdoms of state power. The regime has the power and will to impose the harsh neo-liberal policies on the country, on the lower classes and enforce compliance within the party.

The overwhelming control of the PT leadership was manifest in the first meeting of the National Directorate after the election of da Silva on March 16, 2003. Three proposals were put forth for approval. The neo-liberal resolution supporting the right wing political economic course of the da Silva regime received 70% of the votes (54 votes), the left dissident proposals received 28% (21 votes) and there were two abstentions. The resolution explicitly established in doctrinaire fashion the arguments and logic justifying the neo-liberal policies of the regime, establishing the theoretical and practical reasons for the adoption of the neo-liberal strategy (monetarism, adjustments etc...). The resolution affirmed that the pro-business policies and support for the IMF were not ~~tactical~~ but principled positions. The meeting also reflected the consolidation of control of the party apparatus and the almost total marginalization of the left tendencies. The resolution, the meeting and the vote left little doubt that there was absolutely no hope of reforming the party from within, or pressuring the leadership to make a “left turn”. Staying in the PT means supporting the party of the IMF, George Bush, ALCA , the enemies of Venezuela’s President Chavez and joining border patrols with Colombia’s paramilitary president Uribe – an indefensible position, at least from a popular leftist perspective.

Da Silva’s opposition, in contrast, is ideologically, strategically and tactically impotent and disoriented. Unwilling to embrace da Silva’s radical “redefinition” of the “reformist” program (from social welfare to orthodox neo-liberalism), they search for a new strategy and program. Some of the movements have narrowed their horizons, setting aside their opposition to da Silva’s general embrace of the pro-imperialist agenda in favor of seeking “sectoral reforms”; agrarian reform, urban programs for the favelados, etc. Even in these “sectoral strategies”, the opposition has lowered its demands below their original

proposals in their effort to "realistically" adapt to da Silva's budget cuts and full compliance with foreign creditors.

The opposition left PT and the social movements, having put all their efforts into supporting da Silva, continue the hopeless task of working within the elite, hierarchical party apparatus, where they have no future chance of changing the course of the regime.

What about an "outsider strategy" -- those who have decided to oppose the da Silva regime from the outside? Strategically they should be in a powerful position. The da Silva regime and its neo-liberal policies will lead to a more profound social, financial and economic crisis than that which affected the Cardoso regime. High interest rates, budget cuts and the payment of the debt will undermine productive investments, weaken the domestic market and increase future debt obligations, leading to a deepening recession throughout 2003-2004.

The harsh budget cuts, the decline in pension payments, the real reduction in the minimum wage and the deterioration of social services will lower living standards below current levels. Payments to wealthy bond-holders, subsidies to big agro-exporters and inflation will widen inequalities. The extreme right turn of the da Silva regime, the precipitous decline in living standards and the deepening recession will put a rather quick end to da Silva's initial high popular ratings. Within the year (2003), popular disenchantment will grow in scope and depth, leading to open expressions of discontent; strikes among metal workers started within two months of his taking office and in some regions land occupations by landless workers have begun (by the end of March 2003).

The question is where will the left-wing political opposition to the da Silva regime come from? The small but disciplined United Socialist Workers Party (PSTU) has been gaining influence among trade union militants in the CUT and currently influences about ten percent of the Confederation. The PSTU has potential for growth, but will become a formidable opposition only if it allies itself with other larger and more significant social movements, political opponents, church dissidents and trade union forces. One such configuration could find left-wing MST leaders, a sector of the CUT, progressive Catholic clergy and dissident

left PT leaders and the PSTU coming together to form an alternative opposition coalition or political party, one which focuses on mass direct action over and against electoral politics. This possible formation has tremendous possibilities in taking up the banners of anti-ALCA, debt repudiation, internal market development, agrarian reform and re-nationalization of strategic industries and banks. Millions of Brazilians are on record in opposition to every one of da Silva's policies. The anti-ALCA referendum was supported by ten million voters; of the 52 million who voted for da Silva, the overwhelming majority voted for a political-economic rupture with the past neo-liberal policies, not a continuation and deepening of the same.

Despite the favorable strategic objective and even subjective conditions for the re-emergence of a new left-wing formation, there are several severe limitations. First is the absence of a political party with a national presence which is capable of serving as a pole for regroupment. The new leading political party has to be created in the course of the social struggle which will, in the beginning, be led by social and political fragments of the exploited classes. Secondly, the new political formation will have to engage in a harsh ideological struggle to unmask the "people's president" and expose the profoundly reactionary, continuist nature of his regime. This will take time and effort because the defenders of the regime range from the majority of the mass media to the polemical ideological apologetics by ex-leftists associated with the da Silva regime. Thirdly, the new political formation will have to achieve a high degree of principled political behavior, avoiding alliances with right-wing critics, though there is plenty of room for possible tactical alliances with the moderate trade union, Forza Sindical, on issues of wage, salaried and labor legislation. Fourthly, the political formation must develop theoretical and programmatic clarity, regarding the nature of the neo-liberal crisis, the new militarist colonial imperialism of the U.S. and the major contradictions undermining the viability of da Silva's economic model.

Finally, the new political formation must organize and organize and organize. There are over ninety million Brazilians living in poverty, most of whom are not organized and will be further impoverished by da Silva's policies, the so-called zero-poverty program notwithstanding. There are 25 million landless Brazilians in the countryside, 95 percent of whom will not be the beneficiaries of any land reform, but who will be further

marginalized by da Silva's promotion of the agro-export strategies. There are 40 million un- and under-employed who have no future employment prospects, given da Silva's budget cuts and high interest rates. Hundreds of thousands of small and medium sized enterprises (and not a few large national firms) face bankruptcy from the high cost of credit (26.5% interest in March 2003), and the free trade policies (ALCA) promoted by da Silva's regime.

The political opposition has a formidable challenge in organizing the unorganized, otherwise there will be spontaneous protests which will be harshly repressed as da Silva has promised the international investor class. There will be disenchantment which could be attracted to the right-wing patronage parties who support da Silva today, but who will abandon a sinking ship, as they have always done.

Finally, the new political formation, while appealing to the discontented voters abandoning da Silva, must make a thorough and complete break with the PT, a party which, like many others in Europe and Latin America, began on the left and has finished on the right.

There is no inevitable outcome to the Brazilian experience. Objective conditions are favorable, subjective opportunities are emerging, but the question of political leadership is still an open question.