

# The Two Brazils

“We progress at night when the politicians sleep,” goes an old Brazilian saying. Today, after more than a decade of political and economic change, Brazil’s landless, its evangelicals, its indigenous peoples, and others have emerged into the daylight. Brazil’s future lies as much in their hands, our author writes, as in those of the politicians and bankers.

by *Kenneth Maxwell*

Only a year ago, Brazilians were full of confidence that their country was poised to surge into the 21st century, that perhaps it was finally on the road to becoming the great power many had long imagined it would be. In 1994, Finance Minister Fernando Henrique Cardoso, a former Marxist professor of sociology turned neoliberal reformer, had masterminded a sweeping currency reform—the Real Plan—which joined other liberalizing measures and thrust

Brazil, with the world’s eighth largest economy, into the forefront of the global trend toward open markets and free trade. Not only were Brazilians prospering but their decade-old democracy had found solid footing. Later in 1994, Cardoso was rewarded for his efforts as finance minister with the presidency, becoming Brazil’s second directly elected civilian chief executive since the military surrendered power in 1985.

Then came the global economic crisis, beginning with the currency collapses in





*Rushing forward in “an avalanche of hope,” an army of the landless occupies a 205,000-acre latifundio north of Brasília in 1996.*

Southeast Asia in 1997, escalating with the Russian defaults last August, and landing with a crash on Brazil shortly after. Having failed, despite its many other successes, to get its fiscal house in order, Brazil found itself dangerously dependent on infusions of foreign capital to finance its trade and government deficits, struggling to stay afloat even as nervous investors fled with their dollars.

Cardoso, who won a second term in October in the midst of the crisis, was forced to take drastic measures to cut gov-

ernment spending, increase taxes, and reduce indebtedness. In return, Brazil won a \$41.5 billion bailout orchestrated by the International Monetary Fund (IMF)—and the guarantee of more painful measures to come, as well as a recession that promises to be long and deep. Cardoso, who was, in his Marxist days, a high priest of dependency theory—the notion that the developed capitalist nations would forever hold the less developed economies in thrall—must have wondered if he had been so wrong after all.

Yet Brazil's decade of political and economic success has changed the country in certain irreversible ways. And the changes will, paradoxically, complicate its recovery. Prosperity, the opening up of political life, and the expansion of educational opportunities brought with them a deeper political engagement by the population, and the emergence of unions, political parties, and a variety of grassroots organizations. To a degree that is unprecedented in the country's history, Brazilians have found their political voice, and they have begun to rethink what it means to be Brazilian.

The IMF-mandated policies thus risk bringing about headlong confrontation between the Brazil of bankers and businessmen and a new Brazil of political and social activism. One thing is certain: the Brazilian government can no longer rule by dictate or from the top down, whatever it may have promised the IMF.

How successfully these two Brazils work out their collective future will be one of the most dramatic stories of coming months, and not only for Brazil. Failure in this South American giant will profoundly affect the reforms under way throughout Latin America as well as the assumptions on which the new international economic order has been founded. It is precisely for this reason that U.S. treasury secretary Robert Rubin declared that Brazil is "too big to be allowed to fail."

Brazil for many foreigners is still the land of the bossa nova and "The Girl from Ipanema," but Brazilians themselves are becoming irritated with their country's willful folkloric self-image as forever young, bronzed, and beach bound, oblivious to the past and giddily committed to a future as ephemeral as the country's torrid *telenovelas*. Antonio Carlos Jobim, author of that great lyrical celebration of Ipanema beach and the graceful passing beauty of its denizens, once said that Brazil is "not for beginners." And he was right.

Brazilians still want to have fun, to be sure, and no one is proposing the abolition of Carnival. Yet as Brazil has embraced

democracy over the past decade, bringing new voices into the political and social arenas, Brazilians are beginning to recognize that getting to the future involves understanding the past.

This new concern with history is reflected in the recent vogue for restoring colonial architecture—some of the most extraordinary examples in the Americas—which was once allowed to rot or was simply swept away to make room for modern buildings. In Bahia and São Luis in Maranhão, splendid baroque churches and 18th-century townhouses have been magnificently restored; old forts and ruins of Jesuit missions along the southern frontier have become popular tourist attractions. But these buildings are artifacts of the traditional Brazilian history, while the past that Brazil is rediscovering is replete with contradictions.

Brazil's transition to national independence in 1822, unlike that of its Spanish American neighbors, preserved great continuity in institutions—the military, the law, and administration. It was led, after all, by the eldest son of the Portuguese monarch, who promptly named himself Emperor Pedro I. Portuguese America, unlike its Spanish-speaking neighbors, also avoided fragmentation into numerous new republics. Independent Brazil emerged as a monarchy with its huge territory intact. The state as it developed was, as a consequence, highly centralizing, and the national mythology it spawned depicted the country as a product almost exclusively of the coastal Portuguese and the imperial inheritance.

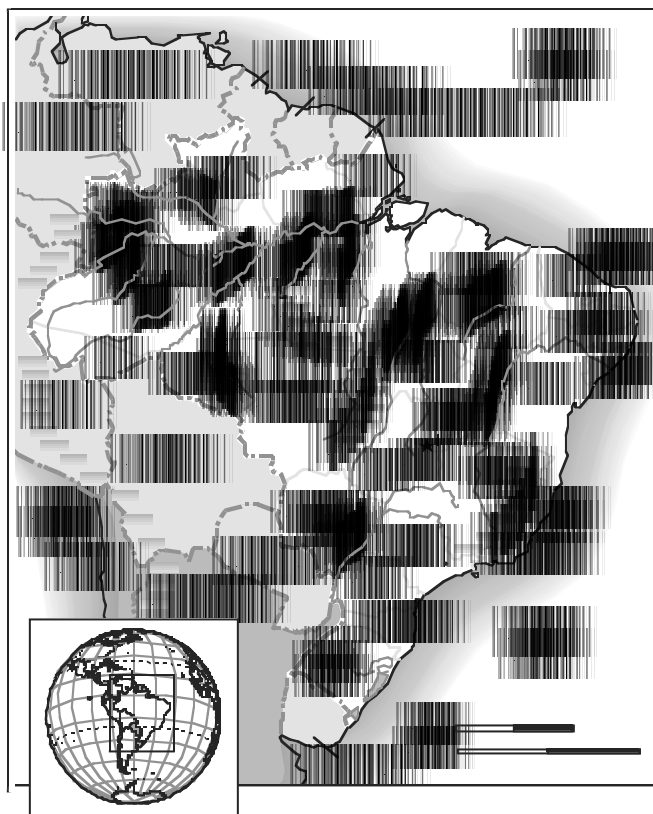
But today Brazilians are learning a new history. It brings into focus the unruly Brazil of the escaped slaves who held out for decades in the backlands of what is today the state of Alagoas against the Portuguese in the 17th century; the bloody uprisings in the Amazon, Pernambuco, and the southern borderlands of Rio Grande do Sul against the Brazilian empire in the early 19th century; and the extraordinary messianic communities of the semiarid interior of Bahia brutally sup-

pressed a century ago and immortalized by the great Brazilian essayist Euclides da Cunha in his *Rebellion in the Backlands*, and more recently by the Peruvian novelist Mario Vargas Llosa in his *War at the End of the World*. The historian Laura de Mello e Sousa calls this the Brazil of the “unclassified ones”—the majority of the Brazilian population, neither white nor black, neither slave master nor slave in origin, not landowners but squatters and small holders, not only Portuguese but Italians, Germans, Japanese, Arabs, and Jews, as well as mestizos, mulattos, Indians, and Africans, not only bankers but small entrepreneurs and shopkeepers, not just bishops but African *orixás* and Pentecostal pastors.

The recognition of the “unclassified ones” has been accompanied by the emergence of movements among the landless, the indigenous peoples, industrial workers, Protestants, and others. African Brazilians are perhaps the most important group now finding a political voice.\*

For centuries, they retained a resilient pluralistic religious and cultural presence at the core of Brazilian society, but one barely recognized in the corridors of elite power until very recently. São Paulo elected its first black mayor,

Celso Pitta, in 1996, and President Cardoso brought Edson Arantes do Nascimento, universally known as Pelé, the great Brazilian soccer star, into his cabinet as minister of sport. The new vice governor of Rio de Janeiro, Benedita da Silva, is an African Brazilian born in a Rio favela (shantytown). As more Afro-Brazilians have moved into the middle class, black faces have also appeared more regularly in



\*Racial self-definition is a complex matter in Brazil, where a very wide range of racial categories between black and white has traditionally been recognized. The count of “African Brazilians” varies from a high of 120 million, using a U.S. definition that includes all persons with some degree of African ancestry, to Brazil’s official 1991 census estimate, which lists only seven million blacks (*pretos*) and classifies 62 million Brazilians as browns (*pardos*). Essentially in stark contrast to the traditional U.S. classification, being black in Brazil means having no white ancestors. Brazil was the foremost recipient of African slaves in the Western Hemisphere.

advertisements and the press.

Brazil’s rediscovery of history challenges above all the peculiar legacy that has since the 18th century allowed the country’s rulers to graft the imperative of authoritarianism onto their vision of the future. It was this mindset that made the French positivists so attractive to the military officers who overthrew the monarchy in 1889, and to the generals who seized control in 1964. It is perfectly summed up in the motto emblazoned across Brazil’s national flag: *Ordem e Progresso* (Order and Progress). Democracy in Brazil has all too often been seen as the enemy of progress, the harbinger of anarchy, disunion, and backwardness.

That, it seems clear, will no longer do.

Brazil's transformation grows in part out of its recent prosperity. When I first came to Rio de Janeiro as a student in the mid-1960s, the country was still largely rural, with short life expectancy, large families, low per capita income, and a high illiteracy rate. By the 1990s, Brazil, with a population of more than 160 million, had become one of the world's largest economies, with a per capita income of more than \$5,000. Family size had dropped dramatically, from six children per family in the 1970s to 2.5 in the mid-1990s. It had become a largely urban country. Brazil's two million cars in 1970 had grown in number to 26 million, its TV sets from four million to 31 million. Infant mortality had decreased from 118 per 1,000 in 1970 to 17 per 1,000, and illiteracy has greatly diminished.

Today the Brazilian states of São Paulo and Rio Grande do Sul, if they stood alone, would be numbered among the richest 45 nations on earth. The economy of Rio Grande do Sul, the southernmost state, abutting Argentina and Uruguay, was built on European immigration and cattle. The state of São Paulo has a gross national product larger than Argentina's, and São Paulo City is a megalopolis with a population of 15 million and a vibrant financial, cultural, and business life; the state-supported university of São Paulo is a world-class institution. Like several of Brazil's larger cities, São Paulo has a lively press; dailies such as the *Folha de São Paulo*, the grand old *Estado de São Paulo*, and the business-oriented *Gazeta Mercantil* are as articulate, critical, and influential as any quality newspaper in Europe or North America. Brazil also boasts one of the world's most successful television networks, TVGlobo, and one of its most aggressive publishing empires, Editora Abril, proprietor of the mass-circulation newsweekly *Veja*, which reaches more than four million readers, all of them full-fledged members of the emerging global consumer order.

A large segment of the population, perhaps 40 million people, however, remains in poverty, with incomes below \$50 a

month. Brazil's income disparities are among the worst in the world. The most impoverished 20 percent of Brazilians receive a mere two percent of the national wealth, while the richest 20 percent receive 60 percent. Festering shantytowns surround the large urban centers, and Rio's favelas are especially notorious for crime and violence. This is the Brazil of half-starved children playing outside makeshift shacks in dusty northeastern villages and smudge-faced urchins knocked out by glue sniffing, huddled together under benches in São Paulo's principal downtown squares. But extreme poverty is now concentrated in the semiarid Northeast of Brazil, where drought and disease have long been curses of biblical dimensions. Both were greatly aggravated in 1998 by the effects of El Niño. Brazilians are proud to call themselves a racial as well as a political democracy, and are irritated when scholars and activists point out that poverty is disproportionately concentrated among the Afro-Brazilian population. In fact, whites on average earn two-and-a-half times as much as blacks. As veteran Brazil watcher Ronald Schneider notes, out of 14,000 priests, 378 bishops and archbishops, and seven cardinals, the Brazilian Catholic Church has only 200 nonwhite priests. Similar disproportions can be seen in Brazil's diplomatic service and military officer corps.

Nevertheless, the poor have seen their lives improve over the past decade, with large numbers of people moving up from the bottom ranks of society into the emerging middle class. The credit for this change belongs to Cardoso's Real Plan, introduced in 1994 while he was finance minister under President Itamar Franco. Confronted with economic chaos and feverish inflation, Cardoso created a new currency, the real, linked to the U.S. dollar, with its value pegged to permit only minimal depreciation. Inflation plunged from more than 2000 percent annually to single digits, with instant tonic effects felt throughout the country.

Suddenly, as the currency stabilized, Brazilians had money to spend for refrigerators, televisions, and clothing. Analysts

looking at consumer trends over the past six years reckon that some 19 million people have moved from basic subsistence into the lower level of the Brazilian middle class, which today embraces some 58 million people. Those who remained poor benefited as well, finding more money in their pockets for meat, chicken, eggs, corn, and beans. Their income increased by 30 percent during 1995–96 alone.

In earlier decades, poverty pushed millions of Brazilians from the hinterlands into São Paulo and Rio de Janeiro and out into the frontier on the western fringes of the Amazon basin. During the 1990s, prosperity allowed many of the smaller cities in the interior of Brazil to flourish, attracting some five million mostly middle-class people searching for a better quality of life.

The spread of prosperity and population over the face of Brazil have made it both a more homogenous and a more complex society. For four-and-a-half centuries, most of Brazil's population remained around key seaports close to the zones where sugar, cotton, cacao, coffee, and other major export commodities are grown. Brazil's first historian, Friar Vicente do Salvador, writing in 1627, said that the Portuguese settlers and their African slaves "scratched at the seacoast like crabs." The first Europeans to penetrate the vast interior were intrepid missionaries, explorers, and ruthless Portuguese frontiersmen traveling up the Amazon River and the tributaries that run south into the La Plata basin. This huge geographical area, larger than the contiguous United States, remained for centuries a hollow frontier, incorporating vast unexplored territories and many thousands of indigenous peoples unknown to the Portuguese governors and viceroys who ruled until 1808, or to the Portuguese monarchs who held court in Rio de Janeiro between 1808 and 1821, or to the Brazilian emperors Pedro I and Pedro II, who succeeded them after the declaration of Brazil's independence from Portugal in 1822, or to the generals and civilian politicians who established the United States of Brazil in 1889.

Yet slowly and inexorably the hollow

frontier was filled in, as cattle ranchers moved inland from the coast and squatters established themselves between the plantation-dominated littoral and the backlands. These independent-minded mixed-race families lived largely outside the juridical formulas that elsewhere defined and contained both Portuguese masters and African slaves, but they helped root Brazilian society in the Brazilian landscape.

In the 18th century, the first great modern gold rush brought European settlers, slaves, and, belatedly, government, into the mountainous interior of what is today the state of Minas Gerais. Today the spectacular churches and mountain towns they constructed are among Brazil's most precious colonial heritage; here the magnificently carved figures of the Apostles by the crippled mulatto sculptor Aleijadinho stand as marvels of this age of extravagance and piety. In the 19th century, large-scale coffee bean plantations were developed in São Paulo and Paraná in the south, reviving the demand for African slaves. After the abolition of slavery in 1888, immigrant laborers poured in from Italy and southern



*A street-level view of Brazil's mid-1990s prosperity in the southern city of Curitiba.*

Germany, joined in the 1920s by newcomers from Japan. By the early 20th century, a cotton textile industry was established in São Paulo, augmented in the 1960s by steel and automobile industries, creating an industrial urban working class and a powerful business elite.

Both civilian and military rulers saw the development of the interior as the means to Brazil's future greatness. In the late 1950s, President Juscelino Kubitschek

forced through the extraordinary plans for the futuristic new capital and federal district of Brasília, set down like a spaceship on the largely uninhabited high plateau of Goiana in the center-west of the country. Modernistic bowls, towers, and upturned cups contained the Congress and its functionaries, dwarfed against a backdrop of enormous sky and red earth. Soon thereafter, the generals who ousted Kubitschek's successor, President João Goulart, and established one of Latin America's longest-lived military regimes (1964–85), embarked on a series of grandiose schemes to develop the Amazon. Ignoring the established river-based lifelines, they drove roads straight through the tropical rainforest and built huge dams to tame the Amazon's tributaries and flood the river plains, often with disastrous ecological consequences. The highways brought with them economic exploitation and its predictable companions, greedy speculators and corrupt and callous bureaucrats, as well as a plague of infectious diseases. The forced contact with the outside world was disastrous for the remaining 250,000 Brazilian Indians, the majority living in the Amazon forests. The long-isolated Yanomami were hard hit with malaria as 10,000 prospectors invaded their territory in the late 1980s.

The military regime also poured money into the expansion of higher education, substituting more pragmatic American approaches for the old French-influenced disciplines that had produced Cardoso and other scholars. But this only created a new generation enamored of democracy as well as technology. Purging and exiling Cardoso (who was seen as a dangerous Marxist despite the fact that he was the son and grandson of generals) and other professors from the University of São Paulo and other major institutions also had paradoxical consequences. It provoked U.S. foundations, notably the Ford Foundation, to invest heavily in a parallel system of private research centers in Brazil that would later provide a haven and political base for the democratic opposition.

Meanwhile, the exiles were welcomed on American campuses. Cardoso, who lived in Chile, and later in France,

became a visiting professor at the University of California, Berkeley, and Stanford University, and spent two years at the Institute for Advanced Study in Princeton, New Jersey, working closely with that wise and brilliant pragmatist, the veteran economist and proponent of reform by "muddling through," Albert O. Hirschman. When he returned to Brazil in 1970, Cardoso, like many of the other upper-middle-class exiles of his generation, had become thoroughly cosmopolitan, skeptical of Marxism, well connected in the wider world, and thoroughly knowledgeable about the workings of the U.S. political and economic systems.

Momentous changes were also taking place at the grassroots within Brazil. Throughout the late 1970s and early 1980s, trade unions that had been founded in the 1930s during the dictatorship of Getúlio Vargas on an Italian fascist model as syndicates dependent on the state, shook off government control. Most formidable was the metalworkers' union in São Paulo. The unions nourished the emergence of a new Workers' Party (PT) in 1980 and a National Trade Union Confederation in 1983. Together they provided a base for the charismatic Luís Inácio da Silva, popularly known as Lula, who rose through union ranks from the shop floor and awakened hopes that he would become a Brazilian Lech Walesa. He has run three times unsuccessfully for the presidency, most recently in October 1998.

The Workers' Party thrives nevertheless, especially in the industrialized south of Brazil, and in the 1998 election gained control of the important governorship of Rio Grande do Sul with the election of PT candidate Olívio Dutra. But the organization of workers was not restricted to the industrial zones. Threatened by the encroachment of cattle ranchers and loggers, rubber tappers on the Amazon frontier began to mobilize in the 1980s to protect their livelihood. Like the metalworkers in São Paulo, these poor workmen produced a formidable grassroots leader from among their ranks, Chico Mendes. His rubber tappers' organization linked up

with Brazilian social activists and international environmental groups to pressure the Brazilian government for recognition of their grievances and to carve out ecological reserves to protect the forests on which their way of life depended. They also developed critical networks of international supporters in Europe and the United States who were able to pressure international lending agencies such as the Inter-American Development Bank and the World Bank into incorporating ecological concerns into their decisions about loans to Brazil.

The indigenous communities, facing a life-and-death struggle for survival as the outside world pressed in on their remaining refuges in the Amazon basin, also found a voice during the 1980s. With the support of international organizations such as the Cambridge, Massachusetts-based Survival International, tribes such as the Kayapó and Xavante pressed for recognition and protection against the freelance gold prospectors who were invading their forests and polluting their rivers with deadly mercury. A Xavante chief, Maríó Jaruna was elected as federal deputy and Ailton Kremak of the Kayapó became well known in Brasília and among the international human rights networks.

While the hierarchy of the Catholic Church was divided on its approach to political activism, grassroots clergy strongly influenced by liberation theology provided organizational support to Brazil's many new reform movements. Protestant fundamentalists have also emerged as a force in the Brazilian social and religious landscape. Small, impeccable, white Pentecostal meeting houses now dot the landscape. The Universal Church of the Kingdom of God, founded in 1977 by a Pentecostal pastor, Edir Macedo, claims more than 3.5 million members and receives more than \$700 million in annual donations. It owns Brazil's third largest TV network and 30 radio stations. As it is often said in Brazil: "Catholics opted for the poor; the poor opted for the evangelicals."

Many Protestant converts come from the lower levels of the new urban middle class. Protestant evangelicals practice a

faith of personal salvation and promote a frugal lifestyle emphasizing thrift and family. They are seen as a conservative force; at the local level, however, their organizations have quickly shifted to municipal activism, seeking improved water supplies and better services, which has propelled them increasingly into politics. The evangelicals have a caucus of 35 deputies in the Brazilian Congress, and an evangelical bishop in Rio de Janeiro, Carlos Rodrigues, received a huge vote in the recent congressional elections. The new governor of the state of Rio, Anthony Garotinho, is also an evangelical. Responding to the Evangelical challenge, the Catholic church in Brazil is now encouraging a powerful charismatic movement that is galvanizing many of the faithful in Brazil's cities. The charismatics, like the evangelicals, place a strong emphasis on family values, but they, like the Catholic hierarchy, are also critical of the harshness of Brazil's capitalist system.

Most threatening to Brazil's political elite and to its large rural landowners in particular has been the emergence of a powerful rural movement of the landless. Founded in Rio Grande do Sul in the mid-1980s, the Movimento dos Trabalhadores Rurais Sem Terra (Movement of Landless Rural Workers, MST) now has some 500,000 members, including all sorts of people from the margins of Brazilian society: the unemployed, migrant agricultural workers, the illiterate, slum dwellers, all people the traditional Left believed it was impossible to organize, stimulated by Brazil's total failure for centuries to break the power of the great *latifúndios* and bring about any meaningful land distribution. Less than one percent of farms, all over 500 acres in dimension, account for 40 percent of all occupied farmlands in Brazil. The movement was also energized by the expulsion of many small holders from their plots, especially in Rio Grande do Sul, Paraná, and Santa Catarina, by the mechanization of large-scale soya and wheat production in the 1980s. The MST is now the largest and best-organized social movement in Latin America, with successful cooperatives, a Web site, and extensive



international contacts. Its members often take the law into their own hands, invading properties and setting up squatter settlements, sacking warehouses to obtain food, and challenging landowners. Almost as often they provoke violent reactions from *fazendeiros* (large landowners), local police, and hired gunmen.

What the MST seeks is access to land and the breakup of the large estates, many of which remain undeveloped and unproductive, or are held for tax purposes or to draw government subsidies. Its ideology is an eclectic mix of revolutionary socialism and Catholic activism, as befits an organization built in large part by itinerant priests. Its most prominent leader is an economist named João Pedro Stédile, who did post-graduate work in Mexico and takes inspiration from the Mexican Zapatistas. He argues that the Brazilian elite is too “subservient to foreign interests”—an obvious swipe at the IMF and the forces of global capitalism as well as the former *dependentista* now lodged in the futuristic presidential palace in Brasília.

Finally there is the Brazilian environmental movement, composed of some 800 organizations stirred into being by the uncontrolled destruction of the Amazon rain forest, ecological disasters in the grotesquely polluted chemical complex at Cubatão in São Paulo state, and rampant encroachment on the remnants of the once lush Atlantic forests.

In 1998 forest fires in the Amazon region, aggravated by the impact of El Niño, were the worst on record, but the Cardoso administration did little to respond until the extent of the catastrophe became difficult to hide. The devastating drought in the Northeast, another predictable consequence of El Niño, also received scant attention until famished peasants organized by the MST raided warehouses and occupied bank agencies and police stations. This finally caught the attention of the indifferent bureaucrats in the surreal world of Brasília, preoccupied with the purchase of expensive Oriental carpets for their offices so that “foreign visitors could be more elegantly received,” as a spokesman for the minister of communi-

cation explained to the *New York Times*. Not surprisingly, all these movements strike a raw chord with the “owners of power,” as the brilliant Brazilian lawyer and social critic Raymundo Faoro so aptly put it. Owing to the overseas support the environmental movement receives, the Brazilian military views it as a pawn of foreign interests, part of a thinly disguised effort by the United States to take the Amazon away from Brazil. The military intelligence network closely monitors the activities of the MST, and Cardoso’s ministers dismiss the movement as “enemies of modernity.” It was similar attitudes that a hundred years ago led to the repression and slaughter in the backlands so brilliantly immortalized by Euclides da Cunha and Vargas Llosa.

The great 20th-century Brazilian historian Sergio Buarque de Hollanda defined a Brazilian as a “cordial” individual, and Brazilians are like their president, people of great and infectious charm. But where politics and social conflicts meet, their country can be a very violent place. It has many martyrs to prove it, among them Chico Mendes, gunned down in 1988 by cattle ranchers threatened by his rubber tappers’ movement. More than a thousand labor leaders and grassroots peasant activists have been assassinated in Brazil since the mid-1980s. In much of the country the murderers of activists act with impunity. In November 1998, Miguel Pereira de Melo, the crusading Brazilian photojournalist, was killed by gunmen. He had recorded the 1996 massacre of landless peasants by military police and was about to testify at the trial of those officers.

The subtler obstacles to pluralism may prove the hardest to overcome. Reform will require changing an oligarchic style of politics and an entrenched bureaucracy that have both skillfully deflected challenges for centuries. Indeed, the deals made to bring about the transition from military to civilian rule during the 1980s guaranteed the persistence in power of many old-line politicians, including pre-eminently the powerful Bahia political boss, former state governor, and current president of the Senate, Antonio Carlos

Magalhães. ACM, as he is universally known, is a gregarious, tough, and single-minded political operator who proudly professes his admiration for Napoleon. Today he is more influential than ever, a pivotal figure in the coalition that supports President Cardoso—an odd but very Brazilian twist of fate since Cardoso was precisely the sort of upper-class intellectual that Magalhães and other power brokers under the military regimes of the past most distrusted.

The bosses and bureaucrats have plenty to protect. The welfare and pension system, for example, does virtually nothing for the poorer workers but vastly benefits state functionaries. In 1996, Brazil had 29 four-star generals on active duty and 5,000 people drawing generous pension checks at the four-star level, including far-flung relatives of dead and retired officers.

Brazil's formal political structure also makes reform excruciatingly difficult. It has 27 state governors and more than 5,500 municipal mayors (*prefeitos*), many of whom have run up massive deficits which by tradition the federal government is expected to cover. The 1988 constitution obliges the central government to transfer a large share of tax revenues to the state governments and municipalities but without a commensurate shift of responsibility for government programs. The idea was to devolve power and encourage democracy. The result was to strengthen parochial interests and the local political bosses. These problems were aggravated by the Real Plan's success,

since, during the years of high inflation, government deficits had miraculously disappeared as delayed payments wiped out obligations. But after 1994 such flimflams no longer worked, as money retained its value. The opening of the economy and the stabilization of the currency had some perverse effects as well. Many industrial workers were displaced as imports flooded the consumer market. Not only did the service sector expand, but many industrial workers were forced into the informal sector. Subsequently, unemployment increased dramatically.

Cardoso hoped to pass a half-dozen ambitious reform measures during his first term—from cutting public payrolls to rewriting tax laws—and, not surprisingly, all fell victim to constant dilution and delays. His major success, altering the constitution to allow for his own re-election, was bought at the high cost of also allowing state and local political bosses to run for re-election. They promptly opened the spending spigots to ensure victory at the polls, swelling public-sector debt to more than \$300 billion in early 1998 and leaving Brazil pitifully vulnerable when the international crisis hit.

President Cardoso will find it difficult to deliver on his promises to the IMF. Arrayed against him will be both the old corporatist interests, eager to protect the past and their own privileges, and the newly assertive groups such as the MST, which disagree with the path chosen for the future.

Cardoso's popularity, though great enough to secure him a clear majority in



*The ideological divisions in President Cardoso's political coalition were the target of this Brazilian cartoon last year. Mayor Celso Pitta of São Paulo is second from the left; Antonio Carlos Magalhães, or "ACM," is second from the right.*

last October's election, is based almost entirely on the success of the Real Plan. He views himself as a man of the Center-Left, an adherent of the new "third way" of Bill Clinton and Tony Blair, but is perceived by the public as being a political leader decisively of the Center-Right, the friend of bankers, industrialists, civil servants, and politicians rather than workers and the landless. As the realities of IMF-imposed austerity begin to hit home—Brazil's economy was already shrinking by the end of 1998—Cardoso may find his popular support waning. He has consciously steered away from the heady rhetoric of populism, avoided demagoguery, and preferred persuasion and compromise to executive decree, but the next year may well test his resolve.

Lula lost the 1998 election in part because he chose to attack the Real Plan. But the 1998 elections also saw the emergence of middle-class Workers' Party leaders who spoke a language closer to that of the new social democrats of Europe, consciously avoiding the radical rhetoric of the shop floor. These Workers' Party representatives in Congress are likely to provide solid opposition to Cardoso's IMF-inspired policies over the next year. The center-left political allies within Cardoso's own political family also risk being alienated by his orthodox economic retrenchment,

which will cut deeply into the social programs Brazil so desperately needs. Nor will the president find support from powerful governors among whom he will find fewer friends than during his first term, especially since they will be forced to bear the brunt of the budget cuts. Particularly troublesome will be the newly elected governor of the important state of Minas Gerais, the former president Itamar Franco, under whom, as finance minister, Cardoso implemented the Real Plan. The erratic Franco is still deeply resentful that Cardoso and not he got all the credit. Nor will the protests of landless rural workers go away. Stédile in particular makes no secret of his desire to "finish off the neoliberal model."

It is ironic that in the charged international economic climate in which Fernando Henrique Cardoso begins his second term as president, the protection of the Real Plan, by plunging Brazil into recession, now poses the greatest threat to the benefits it brought to many Brazilians. Yet posing one of the greatest challenges to the IMF-mandated program to satisfy the international markets are groups and forces within Brazil that barely existed before political and economic liberalization began a decade ago. The travails of the Brazilian economy—no matter where they lead—should not obscure the significant success story the rise of these new voices represents.