On 15 March 2005, Brazil celebrated twenty consecutive years of democracy, an achievement without precedent in its 183 years of national independence. In the early months of this year, however, Brazilians were less likely to ruminate on democracy’s twentieth birthday than they were to note another, more immediate milestone: the halfway mark of President Luiz Inácio “Lula” da Silva’s first four-year term. That Lula’s first two years generated more discussion than democracy’s first twenty is a testimony to the fascination sparked by this most unusual of modern Brazilian presidents.

Many saw Lula’s inauguration on New Year’s Day 2003 as the beginning of an era. The event drew attention to a person, a party, and an agenda. The person—the president himself—has a compelling background, by now well known, as a lathe operator turned trade-union leader who had been defeated in the 1989, 1994, and 1998 presidential elections.¹ His party, the Workers’ Party (PT), is Latin America’s largest, best-organized, and best-financed leftist party. The agenda, which the PT-led coalition government has rolled out slowly over the past two years, is quite different from the program that many had come to expect from Lula and the PT after their two decades in opposition. The person, the party, and the agenda—and the emerging contradictions among the three—provide us with an opportune moment to assess the Lula government at midterm.

Before embarking on such an assessment, one needs first to revisit the October 2002 presidential election and the administration of Lula’s predecessor, Fernando Henrique Cardoso (1995–2002) of the Brazilian Social Democratic Party (PDSB)—the first modern Brazilian president
to serve two consecutive terms. During his eight years in office, Cardoso put what promises to be a lasting stamp on Brazil, in particular with regard to the country’s political economy. Trained as an academic sociologist, he turned out to be a political natural, adept at negotiation and coalition-building. He enhanced Brazil’s prestige internationally, and demonstrated remarkable consistency in pursuing reformist, market-friendly policies at home. Most importantly, with his “Plano Real” currency reform he made inflation control a first-order goal, which it remains. On the negative side, however, Cardoso ignored the need to reform Brazil’s weak political institutions and did a poor job of explaining his economic initiatives to ordinary Brazilians. He also unwisely banked on former planning and health minister José Serra, an economist with limited electoral appeal, as his chosen successor in the critical election of 2002.

Cardoso was immensely popular during his first term. But a January 1999 currency-devaluation crisis sank his poll numbers, and he never quite recovered. With anemic growth and seemingly intractable unemployment, Cardoso could not prevent the 2002 presidential election from turning into a referendum on his “neoliberal model.” Lula and two other major candidates ran hard against the government’s economic policies and promised renewed expansion; even PDSB candidate Serra took pains to distance himself from Cardoso’s low-growth, tight-money policies. Throughout the campaign, polls consistently showed that more than half of Brazilian voters would never vote for a candidate recommended or nominated by the outgoing president. Unsurprisingly, the PDSB’s Serra received a mere 23 percent in the October 6 first round. In the runoff, held October 27, Lula defeated Serra by 61 to 39 percent.

The Nature of the Mandate

The support that brought Lula such a resounding victory rested on four distinct pillars. The first of these was, predictably, Lula’s longstanding critique of the economic model that Cardoso promoted. When in opposition, the PT had frequently noted that Cardoso’s market-oriented approach had its origins in, and was no less harsh than, the administration of impeached president Fernando Collor de Mello (1990–92), infamous for confiscating the population’s savings in the struggle against inflation during the early 1990s. Lula and the PT had attacked the Cardoso government’s obsession with inflation targets and its defense of the Brazilian real (BRL), opposed major trade-liberalization initiatives, fought government-conducted privatizations (especially of the telecom sector and state banks), resisted the attempted “flexibilization” of the labor market, criticized the lack of state spending on economic stimuli (particularly job creation), challenged Cardoso’s social-security and tax-reform proposals, and portrayed the president as the witless stooge of
“neoliberalism” and “globalization.” The PT had voted as a bloc against virtually every reform proposal that Cardoso sent to Congress.

Against this background, it appears practically inevitable that the 2002 presidential contest would turn into a referendum on Cardoso’s economic policies. According to the polls, unemployment was the number-one issue among voters—and who better to benefit from this concern than a former labor leader with a lifetime of dedication to full-employment policies? Thus the first and perhaps most critical pillar of Lula’s mandate was his longstanding rejection of Cardoso’s economic model and Lula’s promise to revise it significantly in 2003 and beyond. Although in August 2002 Lula grudgingly accepted the strictures of the most recent IMF agreement that Cardoso had negotiated (as did the other major presidential candidates), Lula continued to voice strong criticism of the incumbent’s economic policies throughout the campaign.

The second pillar of Lula’s political support was his criticism of Cardoso’s social policies. According to the PT, Cardoso’s government was dominated by technocrats whose only interests lay in state reform, fiscal austerity, and robotic defense of the currency. This obsessive financismo, Lula argued, had diverted precious resources away from critical social programs. The PT proposed an “inversion of priorities,” promising to increase significantly state investment in such sectors as education, health care, and agrarian reform. Campaigning on social-policy reform, Lula benefited from a considerable reservoir of credibility that the PT had accumulated over two decades of being the party most closely identified with the struggle for social justice—especially through its growing experience with subnational government. Given the PT’s progressive reputation, and given how Lula’s 2002 campaign successfully labeled Cardoso and Serra as out-of-touch technocrats, Lula did not have to work hard to sell the idea that a PT-led government would imply a revaluation of social policy.

Lula’s third pillar of support was the PT’s reputation as a “clean” political party, untainted by corruption, clientelism, and patronage politics. From its inception in 1980, the party had operated according to “the logic of difference,” meaning that its very identity was based on a strong rejection of “politics as usual.” In the PT’s first decade, it was fairly easy to assert this image given the party’s exclusion from power. In the 1990s, the PT was elected to govern significant municipalities and even several states, and soon acquired a reputation for seriousness, innovation, and administrative probity. The PT was also the only major party to practice a consistent alliance policy, forming electoral coalitions only with like-minded progressive parties and rejecting any pragmatic collaboration with former supporters of the 1964–85 military dictatorship—a tactic that Cardoso had used to secure victory in 1994 and 1998. In the 2002 race, Lula capitalized on the PT’s image as an ethical and unsullied party.
The fourth and final pillar on which Lula’s political support rested was his compelling personal story. Here was a man born in the impoverished Northeast, with only a grade-school education, who had become a lathe operator in a São Paulo factory only to lose a finger in an industrial accident and then be jailed by the military when he dared to organize a strike. Lula’s rise to labor leader and then founder of the PT would be amazing enough even if he had not gone on to become the party’s four-time presidential candidate. In Brazil’s notoriously elitist political system, Lula endured merciless attacks on his humble origins for years, but continued his quest nonetheless. By the time of the 2002 election, a sense permeated Brazil that Lula’s time had come, that his long and persistent struggle had “earned” him a shot at the presidency. Lula is a leader of undeniable intelligence; there is no doubt that a significant portion of his mandate is based on personal charisma rather than partisan support.

High Expectations, Modest Performance

If these pillars were indeed what underpinned Lula’s mandate as he entered the presidency, how well have he and his government lived up to the implicit expectations? The biggest surprise of the past two years has been the PT-led government’s economic policy, which has been anchored in high interest rates and fiscal tightness, reflecting a strong commitment to market reform and global competitiveness. In fact, so great was the PT-led government’s determination to hew to the path of fiscal prudence that upon taking office in January 2003 it announced its intention to surpass the fiscal-surplus target upon which the Cardoso government had agreed with the IMF. This pledge entailed cutting expenditures by roughly US$5 billion, about one-third of which affected the social area.

Further evidence of the PT-led government’s market-conforming strategy has been its minimum-wage policy, which to date has markedly departed from the line that the PT took while in opposition. During the campaign, Lula pledged to double the minimum wage by the end of his term, aiming to expand the domestic market and to alleviate Brazil’s extreme income inequality. Yet in the past two years, his government has kept minimum-wage increases in check so as to contain deficits in the social-security account. In June 2004, the Lula government succeeded in limiting the minimum-wage increase to only BRL260 per month, despite considerable pressure from across the political spectrum for an increase of BRL275 (currently about US$108).

The marked continuity with the policies of the Cardoso government can in part be attributed to the new economic team’s awareness of just how sensitive international financial markets are to currency instability. Foreign investors and multilateral institutions, apprehensive about
the intentions of a party that was calling for socialism a mere decade ago, feared that the new government might default on part of Brazil’s voluminous debt and in general fail to maintain the foreign-investment–friendly policies of the Cardoso government. This explains why the PT volunteered to exceed the very austerity goals which, as an opposition party, it had routinely criticized. After two years as finance minister, it appears that Antônio Palocci—a converted Trotskyist—has succeeded in convincing his PT colleagues that the party’s project of poverty reduction is dependent upon economic growth and stability, goals typically advanced through fiscal and monetary stability. Indeed, there is no doubt that the public at large has benefited from continued price stability.

By following, and in some cases even intensifying, its predecessor’s macroeconomic policies, the Lula government has succeeded in winning the trust of investors and the praise of international financial markets and institutions. Nonetheless, there have been drawbacks. Through 2003, economic growth and job creation were sluggish, precisely the outcomes that eventually caused Cardoso to lose favor with the public. Although 2004’s results were more encouraging, with booming exports and increased consumer spending producing 5.25 percent growth, only time will tell how enduring the economic pickup will be and how many jobs it will generate. An arguably more significant consequence of Lula’s preoccupation with economic stability has been the subordination of all other goals, including those of poverty reduction and social-equity enhancement—concerns central to the PT’s historic identity and public legitimacy.

Continuity in macroeconomic policy making has been matched by efforts to advance a structural-reform agenda. Arguably the most noteworthy achievement of this kind, despite the numerous concessions made to obtain legislative backing, was the passage of a social-security bill at the end of Lula’s first year in office. Addressing the spiraling deficit in Brazil’s special pension system for government employees, the new legislation raised the effective minimum-retirement age, placed tighter limits on benefit ceilings, reduced survivor benefits, and instituted taxes on pensions and benefits for the more affluent. Since the reform diminished the privileges of civil servants, a core element of the PT’s support base, its passage required Lula to lean heavily on PT members of Congress, who only several years before had obstructed a similar reform effort by Cardoso. Securing their votes entailed Lula using “Leninism” in the service of liberalism.

Whereas the PT-led government’s economic orthodoxy has taken some by surprise, its record in social policy has thus far been unremarkable, if not disappointing. The high-profile Fome Zero (Zero Hunger) program, one component of which is the distribution of food stamps and in-kind disbursements to qualified families, has been slow to get off the ground.
and has been plagued by bureaucratic inefficiency, local corruption, administrative inexperience, and resource constraints. Similar difficulties have affected the \textit{Bolsa Família} (Family Stipend), a grant designed to provide low-income families a minimum income, to encourage them to enroll their children in school, and to afford them basic medical care. A major goal and formidable organizational challenge of this initiative was to unify various preexisting grants into a federal program with a single registry of beneficiaries. Not even these showcase programs were spared when nearly US$2 billion in social spending needed to be cut in order to stay within IMF fiscal-surplus targets. Although it would be premature to write off the \textit{Fome Zero} and \textit{Bolsa Família} programs as failures—especially given that the government is undertaking an administrative restructuring designed to streamline the delivery of social assistance—it is fair to say that the strong reputation that the PT earned in the past two decades for its ability to effectively implement innovative social programs at the local level has yet to be replicated at the national level.

In addition, even the government’s effectiveness in sustaining many of the social achievements of the Cardoso period remains in question. Land reform, even within the confined parameters of the previous government’s policy, has stalled; plans to raise the levels of technical expertise available to the education and health ministries appear to have lost ground; and the intermeshing of economic and social policy, manifested concretely under Cardoso in the strong working relationship between ministers from the economic and social areas, has given way to bifurcation. Although Lula has tried to pacify those dissatisfied with his government’s economic orthodoxy by appointing PT loyalists to head the social ministries, decision making about the economy has taken clear precedence over issues of social development. In short, developments over the past two years indicate how difficult it is, at least in the short run, to pursue orthodox macroeconomic policy and extend social equity at the same time.

**Perils of a Fragmented Party System**

Their meager social-policy achievements aside, Lula and his inner circle have fared fairly well in managing a heterogeneous ten-party coalition. It augurs well for Brazilian democracy that a major leftist party has been able to work with others across the political spectrum. The passage of controversial reforms in 2003—largely Cardoso’s unfinished business in the areas of social security and taxation—attested to the ability of Lula and his chief of staff, José Dirceu, to get the PT to join ranks while securing the support of legislators from other parties. The government’s capacity to exert a strong hand within the party while extending a warm hand across the aisle has proved a formidable combination.
Brazil has one of the world’s most fragmented party systems, and the ruling PT currently controls less than a fifth (91) of the 513 seats in the Chamber of Deputies, Brazil’s lower house. Like all Brazilian presidents, Lula has needed to fashion multiparty voting blocs on the floor of the legislature and to offer cabinet portfolios to different parties in exchange for legislative support. With limited cabinet positions to dole out, keeping the PT united while accommodating the other nine parties in the coalition has been a major challenge.

The exchange of favors and positions that occurs at the national level has a subnational parallel in the president’s dealings with state governors and municipal mayors. What renders these arrangements particularly unwieldy, unpredictable, and costly is the weakness of most Brazilian parties, which are largely devoid of ideology and discipline.4 Thus the PT, after twenty years of excoriating “traditional politics,” has since 2003 succumbed to the incentives and constraints of Brazil’s political system, exchanging resources for the political support of legislators, governors, and mayors.5 Relying on such clientelist arrangements takes an obvious toll on both administrative efficiency and the integrity of the ruling party. The reputational costs have also been higher for the PT than its ruling-party predecessors, because the party had managed to stay above the political fray for two decades and was ultimately rewarded by voters for having done so.

To be fair, the PT’s adaptation to “politics as usual” is simply a rational adjustment to Brazil’s unwieldy political institutions—the same adjustment that Cardoso underwent between 1995 and 2002. Upon leaving office, Cardoso commented publicly that if he could change one thing about his presidency, he would have pursued “political reform” early on, because a redesign of representative institutions would presumably have improved executive-legislative relations and allowed him to pursue his economic-reform agenda more effectively. “Political reform,” in Brazilian insider parlance, refers broadly to an ongoing and shifting package of proposals, discussed almost continuously since the early 1990s, aimed at reducing party fragmentation and enhancing the accountability of politicians.

The most important ideas currently under discussion include the adoption of a mixed electoral system (with half of the parliamentary seats to be elected in single-member districts), a vote-share threshold meant to exclude “microparties” from Congress, regulations to eliminate the electoral coalitions that allow small parties to secure representation by pooling their votes with those of larger parties, and restrictions against the rampant party-switching that inhibits the formation of stable governing coalitions.6 Congress has come close to voting on these proposals at numerous times in the past decade, most recently in 2002 and 2004. Because several of the proposed future-oriented reforms threaten various actors in Congress, however, both Cardoso and Lula let such
proposals languish in favor of immediate legislative support on more pressing economic and administrative reforms. During the first two years of Lula’s presidency, he has followed his predecessor’s example of putting the policy cart before the institutional horse, with the predictable result that the “cost” of governing remains high.

A New Brand of Foreign Policy

While the PT-led government has so far steered a surprisingly orthodox course in economics, social policy, and party politics, it has made a distinctive mark in the area of foreign policy. Brazilian elections rarely emphasize foreign relations, so Lula’s much-ballyhooed activism on the world stage in the past two years was barely foreshadowed in the 2002 campaign. Soon after his inauguration, however, the president morphed into a jet-setting diplomat.

Beyond producing headlines and gaining the applause of activists, bankers, and industrialists alike with his 2003 appearances at the World Social Forum in Brazil and the World Economic Forum in Switzerland, Lula has been actively engaged in efforts to diversify Brazil’s export markets, to mediate conflicts within the region (such as those involving Venezuela and Colombia), and to create political alliances with other developing countries—especially large ones like China, India, and South Africa. Brazil has also played a key role in coordinating a “Group of 20” (G-20) developing-world agricultural exporters that seek to address the enduring North-South divide by establishing fairer trade rules. The G-20 made headlines when it successfully stood up against trade-distorting agricultural subsidies at the 2003 ministerial conference of the World Trade Organization in Cancún.

The nationalistic and developing-world tenor of Lula’s foreign-policy pursuits enjoys approval even from those on the Brazilian left who criticize his economic and social policies. Yet for all his championing of developing-country causes, Lula has been careful not to alienate the United States and key international organizations. For example, while taking a tough stance regarding the Free Trade Area of the Americas (FTAA), the PT-led government has remained committed to its FTAA negotiations with the United States. Moreover, it has proceeded cautiously with the IMF, maintaining a safe distance from Argentine president Nestor Kirchner’s brinkmanship vis-à-vis that institution. The Lula government has also safeguarded its reputation with the United Nations: In line with its desire to assume a greater role within the UN system—namely, to gain a permanent seat in the UN Security Council in the eventuality of its reform—Brazilian soldiers led UN peacekeeping troops into Haiti in June 2004.

With regard to U.S.-Brazilian relations, Lula has built a remarkably solid working relationship with President George W. Bush.
2004 reelection campaign it was an open secret in Brazil that many in Lula’s inner circle favored Bush over Democratic Party candidate Senator John Kerry—bizarre given the history of the PT. The party’s preference for the Republican was due not only to the perceived protectionist tendencies of the Democratic Party, but also to Lula’s desire to build on the frank personal dialogue that he had begun with Bush in 2003.

One may wonder why it is that the Lula government’s most prominent and original achievements have taken place in the field of international relations. One important factor is no doubt that foreign policy is less constrained by the resource issues that limit the government’s latitude in social policy, and less subject to the distortions imposed by the country’s electoral and political institutions. Foreign policy is also an area where the government is able to call upon a corps of highly qualified career diplomats, in contrast to the other ministries, where appointments to high positions are largely politicized. In any event, Lula has lofted a number of balls into the air on the foreign-policy front; if he can keep on juggling them as skillfully as he has so far, he will continue to increase Brazil’s prestige and bargaining power in the world.

Reactions and Repercussions

During his first two years in office, Lula went down paths that surprised even the closest PT watchers. As one would expect, some of his choices have generated strong reactions and repercussions among his fellow party members as well as among the Brazilian public. The October 2004 municipal elections made a statement not only on local politics but also on the relative approval of the incumbent presidential administration. The PT’s showing was respectable but far from outstanding: The party more than doubled its total number of mayors from 187 to 411 and won 9 out of 26 mayoralties in state capitals. Yet it fared poorly in the more developed South and Southeast, precisely where it had advanced so markedly in the 2000 municipal elections. Whereas 70 percent of the PT mayors elected in 2000 were from the South and the Southeast, 62 percent of those elected in 2004 were from the Northeast, North, and Center-West of Brazil.

Of the seven state-capital mayoralties in the South and Southeast, the PT now holds only Belo Horizonte and Vitória. Losses in São Paulo as well as in Porto Alegre, where the PT had governed for 16 years, were not only serious symbolic blows but may well hurt the PT’s gubernatorial prospects in these states. The loss of São Paulo—the single largest municipal electorate—is significant in itself and magnified by the fact that the victor in the governor’s race there was none other than José Serra of the PSDB, the vanquished presidential candidate of 2002.
The PT’s advances in small and medium-sized towns in poorer areas, combined with the opposition’s progress in more developed urban areas, conform to a voting pattern that has been visible in Brazil for decades under both civilian and military rule: Small municipalities in search of federal resources tend to gravitate toward the president and his party, while the wealthier municipalities of the South and Southeast that are less dependent on federal largesse are more likely to support the opposition. The 2004 midterm elections saw something of a role reversal, however, because for the first time a left-wing party held the presidency.

Notwithstanding his party’s underwhelming showing in the 2004 municipal elections, Lula’s recent approval ratings show high levels of support. His net approval in early 2005 was 30 points, subtracting negative from positive evaluations. A year earlier, after a year-long postinaugural honeymoon, two major setbacks had caused his ratings to slide downward. First, a key aide to presidential advisor José Dirceu was found to be involved in a numbers racket; soon thereafter, the economic results for 2003 showed that the economy had contracted by 0.2 percent. As a result, in June 2004 Lula’s ratings reached a record low net positive of 5 points. Since mid-2004, however, the economy has improved and with it the president’s approval ratings.

As important as the raw numbers is the apparent “Teflon” quality of Lula’s image: Scandals affecting members of his government have generally not tarnished him personally. Lula’s personal popularity is consistently higher than that of his government, implying that many voters continue to like and support the president personally even if they disagree with some of his policies. This Reagan-like quality is one of Lula’s greatest political assets. As did Reagan in 1984, Lula may benefit from the business cycle as he stands for reelection in 2006: After the 2003 stagnation, 2004 saw Brazil’s gross domestic product rise 5.2 percent while its industrial production went up by 6.2 percent—the best performance since 1994.

Industrial production was consistently one of Cardoso’s weakest points, and the Lula government is well aware that renewed activity in this sector has a direct impact on the unemployment rate (in Brazil measured only in major metropolitan areas), which in early 2005 stood at 9.8 percent. During Lula’s first two years in office, inflation was running at under 8 percent yearly and the public debt had been reduced from 62 percent to 53 percent of GDP, allowing the government to exceed the primary-surplus target agreed to with the IMF. Moreover, with booming commodity exports, foreign reserves have been healthy and rising, and the real has appreciated to the level of 2.60 to the U.S. dollar (further appreciation will be discouraged to avoid cutting into the massive trade surplus). While it is still too early to say if Brazil has left behind the erratic, zigzag growth pattern of the Cardoso years, Lula’s
chances for reelection have certainly been enhanced by the visible recovery of 2004 and early 2005.

In February 2005, the president and his government had strong backing among Brazilians as a whole. Only 14 percent of Brazilians disapproved of Lula’s performance in office. Ironically, some of the least satisfied appear to be within the PT itself. Their dissatisfaction regards not only the content of government policy—the economic orthodoxy and the secondary status of social programs—but also the autocratic style in which Lula and his inner circle have conducted executive-legislative relations. PT members of Congress have felt subject to unduly heavy pressures from a government determined to secure their votes.

In February 2005, discontent surfaced within the PT over a particularly high-stakes issue: the presidency of the Chamber of Deputies. When the government tried to impose on the party a candidate of uncertain popularity, Luiz Eduardo Greenhalgh, dissident Virgílio Guimarães put himself forward and split the vote. This resulted in the victory of a third candidate, Severino Cavalcanti of the small center-right Progressive Party, whose profile as an old-style clientelist politician from Brazil’s Northeast could not be further from that of the PT. This was the first time in the history of the Chamber that a candidate with little support from his own party defeated the official candidate from the largest party. This turn of events is sure to weaken the government’s sway over Congress.

Although Lula enjoys considerable public support and the PT’s ranks in Congress remain virtually undiminished, the PT-led government will still have to put its own house in order if it hopes to advance its reform agenda—including the crucial matter of political reform, which is making creeping progress toward an eventual floor vote—and make further electoral gains in the 2006 elections. In Brazil’s federal system, securing more gubernatorial positions would greatly expand the Lula government’s room for maneuver and heighten its political leverage. Only three of the 27 governors elected in 2002 were from the PT, and they were from small states with little economic or political weight. By contrast, when Cardoso took over the presidency in 1995, he enjoyed the support of PSDB governors from the powerful states of São Paulo, Rio de Janeiro, and Minas Gerais.

Whither Lula, Whither Brazil?

In assessing the Lula government at midterm, it is worth taking a step back to view current issues from a wider perspective. It is instructive to compare the 2002 presidential election to that of 1989, in which Lula was also a finalist. In the 1989 contest—the first direct presidential election since the early 1960s—the military, a significant part of the
business community, and the powerful Globo television network all actively opposed Lula. This led many to wonder if he could have taken office in the event of victory, and if he had taken office, whether elite actors eventually would have undermined his government. Thirteen years later, in the 2002 presidential campaign, elite opposition was largely invisible. And in 2005, no one doubts that the PT-led government will finish out its electoral mandate. It may well win a second term.

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An important step forward for Brazilian democracy that a leftist party like the PT has been elected, has done a respectable job at running the country despite some fairly daunting challenges, and enjoys excellent prospects of finishing its constitutional term.

An important learning process has taken place. The leftist PT, which during its two decades in the wilderness was partial to an aggressive and confrontational political style, has learnt that it is harder to govern than it is to oppose. Even when the PT goes back into opposition (as it eventually will), it will have matured as a result of having held the reins of the executive branch. On the other hand, the conservative Party of the Liberal Front (PFL), which was part of virtually every Brazilian government from the 1964 military coup through Cardoso, is now learning what it is like to live without the lifeblood of state patronage. After twenty years of free elections, Brazilian democracy has now cycled through the party system, and all major parties have tried their hand at both government and opposition.

Yet Brazil remains a society of unspeakable poverty and inequality. The country’s social challenges, combined with such institutional problems as weak parties and party-system fragmentation, make governability elusive and threaten the quality of democracy in the long term. The ultimate test of the Lula government is not whether it can muddle through for four years by promoting exports, practicing fiscal responsibility, and defending the currency—those are things it has shown it can do—but whether it can make a long-term contribution to democracy by investing heavily in social development and promoting meaningful political reform. These are the areas where the PT needs to make its second debut in
power. Lula and his party need to use the second half of his term to go back to the original goal of changing Brazil by deepening democracy, promoting social justice, and achieving growth with equity—not just administering the status quo. With the economy turning up and Lula’s popularity running high, the moment is here.

NOTES

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3. Under Lula, the number of cabinet portfolios has expanded to include several new ministries with responsibilities for different dimensions of social policies, and many of the new positions have gone to PT loyalists. This has increased the PT’s dominance over its coalition partners. When Cardoso took office in 1995, he had 23 ministries and filled only 6 of them with members of his own PSDB; in contrast, Lula in 2003 had 33 ministries, of which 6 went to nonpartisan technocrats, 7 went to politicians from allied parties, and no fewer than 20 went to members of the PT. See *Veja* (São Paulo), 9 March 2005, 53.


5. Notably, the one clear departure from past practice is that almost no legislators from other parties have sought to switch to the PT. Clearly, the party discipline, monetary contributions, and scrutiny upon admission required of PT politicians constitute a sacrifice that most Brazilian politicians are not willing to endure. A considerable number have, however, joined other parties in the government coalition, such as the Liberal Front Party and the Brazilian Labor Party.

6. For an informative review of the most recent proposals, see Amaury de Souza, “Political Reform in Brazil, Promises and Pitfalls,” Center for Strategic and International Studies, Policy Papers on the Americas, Volume XV, Study 3, April 2004.