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Good Government and Politics as Usual?: The Schizophrenic Path of the Workers' Party

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The Schizophrenic Path of the Workers’ Party

When Luiz Inácio “Lula” da Silva won Brazil’s presidency in 2002, he and his Workers’ Party (Partido dos Trabalhadores; PT) had most observers convinced that this was a watershed moment for the country’s democracy. The victory of this former shoeshine boy, metalworker, and union leader symbolized to many the arrival to power of Brazil’s excluded masses and the opportunity to put into practice the modo petista de governar (the PT way of governing), lauded as participatory, redistributive, and above all, transparent. Fourteen years of PT government and several astounding corruption scandals later, few illusions remain. The PT was gravely wounded by the scandals, starting with the so-called mensalão (monthly bribe scandal) in 2005. This scandal brought resignations and later jail sentences for the party’s top leaders and members of Lula’s cabinet as well as renewed calls for reforming Brazil’s political institutions as multiple parties were caught taking bribes. Despite punishment for the mensalão’s perpetrators, the PT’s own efforts to strengthen participatory and transparency institutions, and the promises to clean house by Lula’s successor, Dilma Rousseff, even larger corruption scandals followed, imperiling the PT’s hold on the presidency and threatening its future.

From its inception in the early 1980s, the PT had stood for incorruptibility, refusing to accept the military’s offer of indirect presidential elections during
democratization, leading the charge for investigating corruption under President Collor, and emphasizing clean government at the municipal level, where the party was increasingly successful. Scholars of the country's notoriously weak party system regularly noted the PT's outlier status as virtually the only ideologically driven, internally democratic, and disciplined party. Lula's 2002 presidential campaign stressed the party's ethics and anti-corruption message. Its first commercial showed rats chewing on a Brazilian flag and the caption: "Either we finish them off or they finish off Brazil. Ciao, corruption—a campaign by the PT and the Brazilian people" (Markun 2004, 313–14). Just a few years later, when an aide to the PT president's brother was caught in Brasília's airport with a hundred thousand US dollars in his underwear, Lula's finance minister and chief of staff resigned, as did the PT's president, secretary-general, and treasurer, all tied to the mensalão scandal.3 How did the PT move from a party that built its "party brand" on honesty and transparency to a party in which high-ranking officials were engaged in systematic forms of corruption? Further, why did the PT not switch course after the mensalão and limit the involvement of high-ranking officials in illegal political behavior?

Presidents Lula and Dilma tried to minimize the scandals in the press, saying that the PT had only done what other parties do, but this is precisely the point, as Gois argues: "In the end—and this is the mother of all issues—many people voted for the PT because the party did not do what the others do" (2005, 14). Why would the party put its hard-fought, vote-getting reputation for good government at risk? There are two disparate interpretations of the PT. On one hand, some observers highlight the modo petista de governar, which made the PT famous worldwide as an innovative party for the downtrodden that promoted the use of new democratic institutions, inclusive social policies, and more transparent implementation processes. The second interpretation, one its conservative opponents have long asserted, is that the PT's supposed ethical patrimony has simply been a farce all along; PT politicians used their access to state power (by winning elections) to divert public resources toward advancing the party's interests as well as their own.

The schizophrenic nature of the PT once in office is best exemplified by its strengthening of the state's oversight capabilities, building on its trajectory as a party of "good government," while simultaneously engaging in bribery and money laundering. Indeed, it is baffling that many high-ranking PT officials continued such illegal activities at the same time as the PT-led government invested in transparency and participatory institutions that improved monitoring of public resource allocation. The need for campaign resources to gain and maintain office held greater sway over PT officials than the fear that the newly strengthened transparency institutions would be applied to them.
Further, the initial use of illegal fund-raising activities by some high-ranking PT officials gave their political rivals power over them in three ways, making it difficult for the party to reverse course once its officials began to use corrupt practices. First, since ideologically distant parties were included in the governing coalition partly through kickback schemes, those politicians could threaten to reveal damaging information if the money did not continue to flow. Second, the prosecution of the PT’s top officials following the mensalão scandal, including past party presidents José Dirceu and José Genoino, discredited the PT’s ability to campaign on the claim that it would fight corruption. Third, political rivals working inside the state (such as prosecutors, judges, and police linked to opposition parties) were able to investigate and expose PT officials’ involvement in wrongdoing.

Four interweaving strands of explanation help illuminate the PT’s schizophrenic nature. These involve the rising cost of Brazilian elections, the strategic decisions of the party’s dominant faction, the Campo Majoritário (Majority Camp), basic governing challenges faced by the PT, and finally, the establishment of new institutions that were designed to appeal to activists who sought to create new channels for participation and transparency.

The Rise of the PT

The activists who founded the PT in 1979 shared commitments to ending Brazil’s military dictatorship, establishing democracy, and implementing some form of socialism. Unions, social movements, intellectuals, and progressive sectors of the middle class formed the base of the new party, which emphasized internal democracy regarding policy decisions, political orientation, and leadership selection (Keck 1992). From its early moments in local government, the party established a PT way of governing that also served as a party branding strategy (Goldfrank 2004; Nylen 2000). Although the PT gave minority factions the opportunity to influence their fellow party members, by the mid-1990s a dominant faction—known at the time as the Campo Majoritário—emerged under Lula, José Dirceu, and their allies in the state of São Paulo such as Celso Daniel and José Genoino. Internal democratic procedures encouraged minority factions to remain in the party because of a shared understanding that the PT represented a new way of conducting politics that would eventually change Brazil. While never explicitly defining the socialism it sought, the party maintained strong ideological commitments to the “inversion of priorities,” which meant reorienting Brazil away from its historically unequal and exclusionary political and economic practices.

To transform Brazil, the PT long advocated a two-track strategy. The party emphasized both electoral politics and social struggle, conceived as building a grassroots movement capable of engaging in direct political action to
advance PT causes. Over time Lula and the Campo Majoritário increasingly favored a focus on winning elections for executive positions over social movement-style activism (Freire de Lacerda 2002). Indeed, the PT’s electoral fortunes improved steadily and dramatically at all levels of government from its first efforts in 1982 until recent elections, when popular support decreased (see table 2.1).

As the PT won office, its mayors and governors emphasized participatory decision-making as a means to invert priorities, appeal to social movement allies, demonstrate its commitment to honesty, and thereby build support by distinguishing itself from Brazil’s myriad other parties. An exemplary case is that of Participatory Budgeting in Porto Alegre, which rests on the principles of deliberation, transparency, social justice, and direct citizen involvement in selecting policy outcomes (Abers 2000; Baiocchi 2005; Goldfrank 2007; Wampler and Avritzer 2004). More than two hundred PT mayors and even a few governors adopted Participatory Budgeting. The PT also succeeded in the 1990s at developing other innovative policies, such as Bolsa Escola, which—from its inception in Brasilia—provided targeted funds to low-income families to reward and ensure regular school attendance. While PT federal deputies and senators, as members of the political opposition, continually demanded investigations into corruption by the ruling parties at the national level, sub-national PT administrations illustrated that the party was capable of governing creatively and responsibly. By the time of the watershed 2002 election, public opinion polls suggested that Brazilians considered the PT the most honest political party by a wide margin, which was one factor among many in Lula’s favor in his fourth run at the presidency (Goldfrank 2004, 207–8; Fundação Perseu Abramo 2006).

**Campaign Finance, Official and Otherwise**

To win the presidency, Lula needed money. Our starting point for examining the PT’s unexpected descent into “politics as usual” is to note that running for election in Brazil was expensive in the 1990s, at least as expensive as in the United States (Samuels 2001, 33). An avowedly socialist party like the PT in an unequal capitalist country like Brazil could only raise comparatively small amounts of money. Given a law prohibiting union donations, the PT relied on the public funding available to all parties as well as on mandatory contributions by party members. For other parties, private corporations, especially in finance and construction, provided the most funds. This helps explain why PT candidates for federal deputy received eleven times less money on average than non-left candidates in 1994, and six times less in 1998 (our calculations from Samuels 2001, 39).

In the 1989, 1994, and 1998 presidential campaigns, the winning candi-
dates vastly outspent Lula. In 1994 when campaign contributions were first made public, Fernando Henrique Cardoso’s donors gave his campaign more than twenty times as much as Lula, and the donation gap for the 1998 race was nearly the same (see table 2.2). Cardoso won easily in the first round of both elections. However, the 2002 campaign marked a major turning point, with Lula out-fund-raising all the other candidates, including Cardoso’s intended successor, José Serra. In every election since 2002, the PT’s presidential campaigns have raised more money than their opponents.

This official reversal of fortunes is interesting, of course. Yet more intriguing were the unofficial estimates of R$200 million in off-the-books donations (Attuch 2006, 16). Why did Lula’s campaign coffers—official and otherwise—suddenly swell? The explanation lies in two converging trends at the turn of the century. On one hand, the PT had tried but failed to reform campaign finance laws banning union donations and desperately needed funding for the 2002 national elections, which the PT had a good chance of winning given the Cardoso government’s unpopularity. On the other hand, the private firms that had previously spent money on keeping the PT out of office were watching the party’s steady electoral growth and the public opinion polls and decided to finance not only Serra but also Lula as an insurance policy (Fausto 2005, 211; Attuch 2006). Attuch notes that the financiers gave equally to Serra’s campaign and generally preferred to donate off the record (2006, 28–29).

Crucially, off-the-books contributions to Lula’s 2002 campaign presaged the larger scandal, the illegal cash payments—or mensalão—to congressional allies during Lula’s presidency. Like most parties, the PT spent more on campaigning than it raised and owed more than R$55 million for the presidential and governors’ races combined (Attuch 2006, 37). In 2003 the PT’s treasurer
began engaging in unusual financial transactions with a marketing executive whose firms secured loans to cover the campaign expenses of the PT, and soon thereafter, its allies. Drastically simplifying the story, the money trail operated like this: publicity firms took out loans for or with the PT; the PT used these to pay its 2002 national campaign debts and its 2004 municipal campaign expenses and to provide campaign funds to members of parties allied with the PT in Congress; and the publicity firms received contracts from federal government agencies, the funds of which they are assumed to have used in part to pay off the loans (see Flynn 2005, 1236–38).

Remarkably, despite the uproar regarding the mensalão, which included calls for Lula’s impeachment, not only did subsequent national election campaigns follow the pattern of the 2002 race, with ever greater funds donated to the PT candidates (see Table 2.2), but corruption schemes similar to the mensalão continued as well. The largest of these is the so-called petrolão, in which Petrobras senior directors are alleged to have taken bribes to inflate costs for contractors (empreiteiras), who channeled parcels of those funds to lobbyists and money launderers, who in turn dispersed funds to politicians within the PT and its coalitional partners to cover campaign costs, among other things; to close the loop, those politicians appointed the Petrobras executives. It is worth pointing out that many of the contractors involved in the petrolão—such as Odebrecht, OAS, Camargo Corrêa, and Andrade Gutierrez—ranked among the top donors to the presidential campaigns of Lula and Dilma, and that, following the pattern from 2002, the same firms donated large amounts to the PT’s rivals as well. The petrolão scheme helped all involved except for Petrobras itself, which in 2015, after the Lava Jato investigation uncovered the fraud, announced billions of dollars in losses to graft, saw its market value plummet, and faced class-action lawsuits from foreign investors.

In sum, from its mostly self-reliant and comparatively penniless position
in the 1980s and 1990s, the PT's finances changed dramatically in the 2000s. In elections for all levels of government, the PT, like other parties, received large corporate donations, spent extravagantly on campaigns, and contracted debts, furthering the need for more funds. Yet campaign costs are not the whole story. To understand whether the PT had always engaged in corruption schemes and why it continued to do so even after the mensalão scandal broke, it is important to consider the role of internal party dynamics and factional politics.

**Moderating (and Corrupting?) the PT**

The party faction under Lula and Dirceu, which has led the PT for most of its existence, played a key part in transforming the party into one that could attract campaign contributions and win national elections. This faction, or coalition of factions, first called Articulação and later expanded to become the Campo Majoritário, has won all but one of the party's internal elections at the national level since 1984. Lula, party president during the 1980s and early 1990s, occupied a center-right position within the party from 1989 onward and consistently aligned himself with the right to ensure control. The left wing won the party's presidency only in 1993, leaving it in control of the disastrous 1994 general election, a humiliating loss for Lula. The alleged incompetence of the PT's left wing and Lula's vow to never again run for president without direct control over his campaign led to the 1995 internal party elections that dramatically reshaped the PT.

For those elections, Dirceu united center and right factions of the party to create the Campo Majoritário; he became the PT's National President and held that position for the next seven years. Dirceu used his victory to consolidate power, creating a “party within a party” to ensure loyalty to him, as well as building alliances at the PT's local and state levels to ensure that Lula's group would continue to control the party (Flynn 2005, 1254). Under the direction of Dirceu and over the left's objections, the PT (1) moved further away from its grassroots social movement strategy, instead concentrating its energy and resources on winning elections for mayors, governors, and the presidency; (2) moderated its national campaign platforms; and (3) began entering into electoral coalitions with parties that previously had been vetoed as too corrupt, personalist, centrist, or clientelist by the PT left.

By 2002 Lula's campaign made the PT's transformation clear. Party militants waving flags at massive rallies and get-out-the-vote efforts were replaced by slick television spots and concerts. Lula did not mention revolution or socialism but, rather, respect for international contracts and IMF agreements. The campaign slogan was “Lulinha—paz e amor” (Little Lula—peace and love). As running mate, Lula selected the owner of one of Brazil's largest tex-
tile manufacturers, José Alencar, who brought his center-right Liberal Party (Partido Liberal; PL) into the PT-led coalition fronted by Lula.

While some see the PT's growing moderation and the ever-increasing dominance of the Campo Majoritário as results of internal party democracy (Samuels 2004) or successful party adaptation (Hunter 2010), other observers and PT insiders, especially on the left, claim that the Campo Majoritário's external and thus internal victories were aided by the same kinds of slush funds that apparently helped Lula's 2002 campaign (Flynn 2005; Moraes 2005; Wainwright and Branford 2006). In other words, they claim that the scandals that rocked Lula's administration were similar to the arrangements that had been used by the Campo Majoritário to consolidate its control of the PT. The more successful a faction's candidates were in winning executive offices (governors and mayors), and to a lesser extent, legislative offices, the more paid government positions the faction could offer its members and potential recruits from other factions, and in turn, the better it could perform in internal elections. This does not imply that the PT's emphasis on honesty and transparency was a "farce" but, rather, that the political group in control of the PT, the Campo Majoritário, was willing to use strategies previously rejected by the PT to consolidate its control.

As Moraes explains, Campo Majoritário leaders created a "parallel finance network" that "operated as an instrument of discrimination and internal privileges without the knowledge of the collective decision-making bodies," directing both official and unofficial resources to party moderates (2005, 196–97). This explanation echoes the complaints by critical PT leaders on the left. They claim that "the Campo Majoritário built its own political machine within the party to advance its aim of achieving more flexible policies" and that "some sectors of the party started to have incredibly well-funded campaigns" (Wainwright and Branford 2006, 21–22, also 23, 25–26, 33). Thus, Dirceu consolidated Campo Majoritário control to pull the party to the center, apparently utilizing similarly underhanded tactics to those that later would be used to carve out congressional majorities to support PT presidential agendas.

Evidence to support the critics' position includes the fact that the first corruption scandals linked to the PT emerged in municipalities governed by Campo Majoritário leaders. Many of Lula's 2002 campaign fund-raisers were already active in the PT's local administrations, especially in the state of São Paulo, where they engaged in the same sorts of financial practices for which they were later investigated (Attuch 2006; see also Folha de São Paulo 2005). Lower-level PT officials in municipalities appear to have been involved in financial transactions that gave them access to revenues from public and private bus companies, garbage collection, and bingo halls, which were sources of the PT's caixa dois (off-the-books slush fund) as well as more ordinary
kickback schemes. Two key examples are the municipalities of Santo André and Ribeirão Preto. In Santo André the longtime mayor, Celso Daniel, was coordinating Lula’s election campaign in 2002 when he was kidnapped and murdered, allegedly over a dispute regarding kickbacks from privatized bus lines (New York Times 2004). In Ribeirão Preto, a former advisor to then PT mayor, Antônio Palocci, was imprisoned temporarily in 2005 on charges of money laundering in transactions with bus companies and accused of over-billing for garbage collection services (Folha de São Paulo 2005). He implicated Palocci, who was ultimately forced to resign as Lula’s finance minister in March 2006, because of these and related charges of operating a mensalão scheme as mayor (Jornal do Brasil 2006). And the very first corruption scandal during Lula’s first term, “Waldomirogate,” was associated with the Campo Majoritário. Dirceu’s chief aide, Waldomiro Diniz, was caught on camera soliciting off-the-books campaign donations from a bingo hall owner.

Notwithstanding the mensalão investigations and eventual indictments as well as subsequent lesser scandals, the Campo Majoritário group, now called Construindo um Novo Brasil, continued to win internal elections. Several historical PT leaders abandoned the party over ideological, policy, or ethical differences; some formed a new party, the Party of Socialism and Liberty (Partido Socialismo e Liberdade; PSOL), and some, like Marina Silva, joined other parties. Yet most left factions stayed within the party and began calling for its refounding. The left factions generally garnered around 45 percent of the vote for the PT’s national presidency, which gave them hope that they would win in some not-too-distant future. And they continued to engage in internal party battles to obtain government positions and increase the size of their internal voting blocs. With the PT’s continued electoral success at all levels, the number of government positions to fight over constantly increased. Furthermore, the PT governments were delivering on many social promises (see Section 4 of this essay), and Lula’s successor, Dilma Rousseff, was linked to none of the party factions and had vowed “a zero tolerance policy for corruption in her cabinet” (Balán 2014, 83). Dilma’s independence from the factions gave her flexibility, but it also meant she had to pay careful attention to rewarding multiple groups to maintain their loyalty.

**Governing Challenges**

Lula and the PT ascended to the presidency in 2003 as a minority party in Congress with an ambitious policy agenda. Having met the challenges of a leftist party seeking campaign contributions and winning national power, the PT faced a set of four related governing challenges. It was the PT’s response to these challenges that led high-ranking officials to be more closely involved in illegal practices; it was also the PT’s continued efforts to build participatory
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Table 2.3. Distribution of Cabinet Positions

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<thead>
<tr>
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<th>Cardoso 2</th>
<th>Lula 2</th>
<th>Rousseff 1</th>
<th>Rousseff 2</th>
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</thead>
<tbody>
<tr>
<td>Cabinet positions</td>
<td>21</td>
<td>35</td>
<td>37</td>
<td>31</td>
</tr>
<tr>
<td>Party of president</td>
<td>29%</td>
<td>60%</td>
<td>46%</td>
<td>29%</td>
</tr>
<tr>
<td>Party of coalition partners</td>
<td>47%</td>
<td>26%</td>
<td>35%</td>
<td>45%</td>
</tr>
<tr>
<td>Non-partisan</td>
<td>24%</td>
<td>14%</td>
<td>19%</td>
<td>26%</td>
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and transparency institutions that led these officials to be prosecuted by the state.

The first challenge faced by Lula—and later Dilma—was that they had to grapple with the PT’s strong ideological and regional cleavages. Intense division within the PT meant that President Lula had to placate different internal factions to ensure party unity. Lula increased the size of the cabinet and also distributed far more seats to members of the PT than Cardoso had distributed to members of his party, the Party of Brazilian Social Democracy (Partido da Social Democracia Brasileira; PSDB). Lula’s strategy became the blueprint for his two terms and President Dilma’s first term. Although the PT held only 29 percent of the seats in the lower chamber during Lula’s first term in office, they distributed 60 percent of the cabinet positions to PT officials (table 2.3).

The PT’s distribution of cabinet positions to different PT factions meant that there were fewer seats for coalition partners. This helps to explain why the PT was induced to use the “monthly” payments scheme to generate support among congressional officials. The PT was unable to placate both PT officials as well as coalition partners, and there was a clear preference in Lula’s two terms and Dilma’s first term for the distribution of more positions to PT members. Only in her cabinet shake-up in 2015 did Dilma finally seek to reduce the number of ministers and PT prevalence.

The second challenge was that the PT needed to build support among congressional officials. This meant that the PT would need to work with political parties that had previously been bitter rivals—and even with specific individuals, such as Paulo Maluf and Fernando Collor, against whom the PT had once vigorously campaigned. When the PT first came to power in 2003, President Lula’s challenge of building a stable voting coalition was somewhat greater than President Cardoso’s challenge from 1995 to 2002 because there was a greater ideological and policy distance between the PT and other
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members of its coalition (PL, PP, PTB, PMDB) than had existed between the centrist PSDB and its key supporters (PFL, PMDB).

To develop support within Congress, the PT followed the governing strategy established by the PSDB under President Cardoso, using what is now known as “coalitional presidentialism” to generate a stable voting majority (Power 2010). “The core insight of coalitional presidentialism is that presidents must behave like European prime ministers. Executives must fashion multi-party cabinets and voting blocs on the floor of the legislature” (Power 2010, 26). President Lula’s magnetic personality made him ideally situated to play a central role in fashioning complex and stable voting blocs. Power identifies a “presidential toolbox” with four tools that help presidents to secure a stable voting majority in Congress: continual adjustment of the “size, heterogeneity and proportionality of the support coalition in Congress . . . , plus the use of pork (budgetary clientelism)” (Power 2010, 27). The “presidential toolbox” captures how the use of budget-based pork is a key institutional power at the disposal of the president. However, it has become increasingly apparent that the presidential toolbox concept needs to be expanded beyond budget-based pork to also include the allocation of well-positioned jobs that allow the job-holders to take advantage of their appointed positions for political gain and/or personal enrichment. A principal resource available to Brazilian presidents continues to be the allocation of strategically positioned “plum” jobs—from cabinet ministers to second- and third-tier management positions in the federal bureaucracy to executive positions in public companies such as Petrobras, BNDES, and Caixa Econômica Federal; Wendy Hunter estimates that the Brazilian president is able to distribute twenty thousand jobs (2010, 164).

The distribution of these jobs generates support for the incumbent president in three ways. First, the job provides a steady income to the individual. Although these wages are often a small amount of the larger budget, the ability to distribute jobs was extremely consequential for the PT because party members holding these jobs are often required to give 10 percent of their salary to the PT; these funds have long helped to sustain the party. Second, public officials use their positions to ensure that a small percentage of public resources are allocated through private companies back to the party to generate campaign resources. The mensalão and petrolão scandals are based on this scheme in which 1–5 percent of public contracts appear to be funneled back to party officials. Third, individuals holding these jobs could, if they wished, enrich themselves personally through bidding practices, allocation of contracts to political allies, and the like.

Initially, it appeared that many of the corruption scandals under the PT presidential administrations had more to do with redirecting public funds to politicians and political parties than with bribery for personal gain (Flynn
The two largest corruption scandals under the PT’s four presidential administrations, the mensalão and the petrolão (see Taylor this volume), were based on complicated money-laundering schemes in which public resources were captured by the PT, which then used those resources to build support in Congress or to strengthen its campaign efforts. The PT did not invent this kickback method of funding political campaigns, as there is ample evidence that President Cardoso (1995–2002) used a similar scheme (Flynn 2005, 1235). It is noteworthy that the PT’s two earliest scandals—in the municipalities of Santo André and Ribeirão Preto, both in the state of São Paulo—concerned kickback schemes involving bus and trash collection companies contracted by PT administrations (Flynn 2005, 1241). In sum, the PT worked within the system of coalitional presidentialism to govern. This coalitional presidentialism involved budgetary clientelism, but it increasingly appears that it also included the use of well-positioned PT allies to continue the use of complicated kickback schemes. The PT adopted these schemes from the Cardoso administration, but it also appears that these schemes became more complex, which made them more difficult to unravel.

It is telling that the two Brazilian reformist parties founded in the aftermath of the dictatorship, the PT and the PSDB, both used kickback mechanisms to sustain congressional majorities. The larger point here is that the PT moved away from its commitment to all aspects of the modo petista de governar and instead adapted much of the PSDB’s economic program and its governing strategies to ensure consistent support in the national legislature. Often overlooked in the literature, the stability of coalitional presidentialism was partially based on the misappropriation of public resources to benefit parties and politicians.

The third challenge for the PT was to develop a positive working relationship with domestic and international capital so as to ensure the continuation of Brazil’s economic stability. The PT’s roots are situated in Marxist ideology, with an ill-defined commitment to socialism and social transformation. During the 1989 presidential campaign, Lula’s political opponents tried to create fear that Lula was a Marxist revolutionary who sought to impose a Cuban-style communist regime on Brazil. In order to placate the financial markets during the 2002 presidential campaign, Lula committed to maintaining the fiscal austerity policies implemented by President Cardoso. In June 2002 Lula’s campaign issued a statement promising that, if elected president, he would not employ capital controls, would not renegotiate the external debt, and would maintain the Cardoso government’s financial commitments. This Letter to the Brazilian People (Carta ao Povo Brasileiro), derided as the Letter to Calm the Bankers (Carta para Acalmar Banqueiro) by its critics, seems not to have had a tremendous effect on foreign investors, though it
caused a stir in Brazil. Lula essentially had committed his new government to following the economic strategy that had been developed by his predecessor. Thus, governing at the national level in a globalized environment dominated by neo-liberal ideas and institutions (IMF, Davos) strongly induced the PT to forge a close working relationship with the country’s largest construction companies, banks, and agro-business.

The commodities boom and the rapid economic expansion during the 2000s made it easier for the PT to maintain better relations with important economic groups. The commodities boom allowed commodities exporters to expand, and it also greatly increased the revenues collected by the federal government. These revenues were used to fund an expansive infrastructure program (PAC) as well as the return of the developmentalist state (Schneider 2016). The economic boom thus helped the PT to maintain a stable voting bloc in Congress because there was tremendous growth in the federal budget as well as in the budget of nationally held companies, such as Petrobras. The Lava Jato investigation illuminated the close relationship between Brazil’s largest construction companies and government officials. The PT was deeply implicated in a series of insider deals that involved large construction companies providing significant kickbacks to politicians of all leading parties. What is most noteworthy about these scandals is that the PT appeared to be no different from other parties; the PT thus traveled a long distance in twenty short years from a party brand of “honesty and transparency” to “politics as usual.”

The fourth challenge for the PT was implementing its ambitious policy agenda. Over the course of four presidential administrations, the PT dedicated resources to implementing new social policies rather than addressing the institutional problems that made governing Brazil so difficult. For example, the trademark successes of the PT’s government include the significant reduction of extreme poverty (mainly through Bolsa Família and wage increases), the expansion of the universal health care system (SUS) into previously underserviced communities (through initiatives like the Family Health Program and Mais Médicos), paying off the debt to the IMF to extract itself from foreign tutelage, expanding the federal university system (with new universities and increased enrollments), and the expansion of public participation mechanisms (see next section). However, when we consider significant institutional problems, such as the large number of political parties, the over-representation of rural states and regions, and the extensive corruption affecting all levels of government, it becomes clear that the PT did not focus on systemic political reforms.

Instead, Presidents Lula and Dilma worked within and through the existing system to secure support for—or at least acquiescence to—their social agenda. Without engaging in extensive counter-factual scenarios, given the
historic animosity between the two parties that hypothetically might have aligned to pursue systemic political reforms, the PT and the PSDB, it seems highly unlikely that if Lula and Dilma had pushed for such reforms they would have succeeded. Furthermore, their social agenda would likely have been in jeopardy had they not added sweeteners to their coalition partners.

In sum, the PT’s position as a minority party, without strong ideological allies in Congress, led top party officials to use a combination of budgetary pork distribution to secure the votes of non-PT congressional allies and the illegal reallocation of public resources to the PT and its allies to build support within Congress as well as for campaign purposes. The nearly decade-long economic boom generated abundant revenues that greased the wheels of this system, enabling Presidents Lula and Dilma to maintain consistent support within Congress. The weakening of the economy since 2013, in conjunction with the strengthening of the institutional capacity of the state to police corruption, dovetails with the declining support for Dilma’s government. At the broader level, the dependency of the PT on this governing strategy precluded the ability of the PT to engage in broader political reforms but allowed for innovative social and even judicial reforms. Now we turn to how the PT’s innovations help account for its continued ability to win presidential elections despite growing evidence of an abandonment of its core ethical principles. In terms of basic social dynamics, the PT changed Brazil.

**Participation and Transparency**

Given the mensalão corruption scandal prior to the 2006 election, as well as the beginning of the Lava Jato investigation into the petrolão scandal prior to the 2014 election, both of which suggest that the PT moved away from its commitment to clean government, how could the PT continue to draw support from progressive social movements? How can we account for the political base’s apparent willingness to overlook the PT’s transgressions? We argue that the PT’s strong support for the expansion of social and political rights—alongside Brazil’s generally positive economic performance for roughly a decade—can explain the PT’s continued support. We focus here on the expansion of political rights during the 2000s.

The PT purposefully redesigned participation and transparency mechanisms, which created multiple opportunities for citizens to be engaged in the policymaking process while also strengthening oversight. Although the PT under President Lula abandoned its pledge to scale-up Participatory Budgeting, Presidents Lula and Dilma invested heavily in the building of a federal participation architecture, which allowed the social movement and civil society base of the party to be actively involved in building policy while also attracting additional supporters (Avritzer and Souza 2013). The PT thus eagerly
sought to incorporate citizens and social movement activists into the broader participatory architecture. There were three institutional venues favored by the federal government: public policy management councils, policy conferences, and in a shift, “national level forums.” While some scholars criticize the PT’s national-level participatory institutions for lacking strategic importance and scope (see Gómez 2015), these venues provided policy and political resources for the government.

First, the policy councils are part of a federally integrated policymaking system that is organized around specific policy issues (such as health, environment, and education). Typically, councils are comprised of 50 percent civil society and 50 percent government members. Council members generally must approve the proposed budget for the policy area as well as approve a year-end report. Civil society representatives from municipal-level councils are then elected to a state-level council; from the state-level councils, civil society representatives are selected to serve on federal councils. This participatory architecture thus linked the federal government to civil society activists across the country. This provided a means for ongoing communication, which had a policy focus as well as a political focus. By 2015 there were over sixty thousand municipal-level councils, hundreds of state-level councils, and dozens of federal councils. The participation of over three hundred thousand civil society representatives in these councils allowed the federal government to connect to social movement and civil society activists. There is a growing body of evidence that the use of participatory institutions is strongly associated with improvements in human development (Touchton and Wampler 2014; Gonçalves 2014; Touchton, Sugiyama, and Wampler 2017). The use of participatory institutions is another extension of the accountability institutions implemented in Brazil since 1988; these councils allow for the exchange of information among citizens, community activists, and government officials, as well as for the additional monitoring of government actions.

The PT also invested heavily in public policy conferences. There is a long history of conferences being used in Brazil, but the PT elevated their use to a level not previously seen. Between 2003 and 2015, the federal government hosted nearly one hundred conferences, including many in new policy arenas such as public security, transparency, and communications (Avritzer and Souza 2013; Pogrebinschi and Samuels 2014). There were an estimated 9 million participants (it is impossible to know how many of the participants were counted more than once). The conferences were a great communication and mobilization resource for the federal government, as it was able to bypass the traditional media and directly connect with citizens and civil society activists. This enabled the PT to develop regular forms of communication with its base. In addition, Pogrebinschi and Samuels (2014) demonstrate that the
conferences were positively associated with executive decrees issued by the president. Although we cannot definitely state that the government would not have adopted the decrees in the absence of the conferences, Pogrebinschi and Samuels's (2014) evidence suggests that the conferences were successfully used by the government to link citizen participation to government action. These actions thus helped to create a political space for civil society activists within the PT's governing agenda. The conferences are the best example of the PT seeking to reach out to civil society activists to generate direct engagement; the conference system connects citizens to government officials in an ongoing exchange. This, we believe, helps account for the PT's apparent ability to maintain ties to civil society even as it became a bureaucratized party.

Finally, the PT began experimenting with national-level policy forums that would better connect national-level policymakers to professional NGOs and experts who could contribute to ongoing policy debates. These forums represent the transformation of the PT from a neighborhood- and union-shop-level party to a party that inhabited a powerful executive branch. One forum, initiated by President Lula, was the Council on Economic and Social Development. The purpose of the Council was to bring together diverse economic and social leaders to debate Brazil's trajectory, yet it gained little traction and never became a strong entity that directly influenced presidential decision-making (Goldfrank 2011). Similarly, under President Dilma, the government created a national forum that was charged with deliberating over the federal government's four-year plan (2012–2015, 2016–2019). Such forums brought together policy experts representing civil society, unions, and private corporations in an effort to solicit inputs, and they represent an effort by the PT to incorporate a diverse body of experts into public deliberations. They symbolize the transition of the PT from a grassroots party that sought to be heard at the municipal level into a party that governed a country of 200 million residents. Nonetheless, there is little evidence that these councils directly influence policy outcomes.

In addition to the slow building of citizen-based oversight institutions like the policy councils, the investment in anti-corruption institutions also helps to explain the PT's continued support within civil society. The PT's schizophrenic actions in the presidency are nowhere better illustrated than in the fundamental contradictions between the government's efforts to strengthen anti-corruption institutions and the involvement of party officials in kickback schemes. During the Lula and Dilma administrations, three of the most noteworthy institutional changes include the strengthening of the General Controller of the Union (Controladoria Geral da União; CGU), the passing of the Freedom of Information Act, and a new law to combat money laundering.

President Cardoso created the CGU in 2001 to monitor the implementa-
tion of public works projects, and the PT strengthened it, in part through a national conference on enhancing the CGU’s ability to fight corruption, the passing of a Freedom of Information Law, and the random selection of municipalities and states to be audited (Taylor this volume; Michener 2015). The institutional design of the CGU was a major advance over the design of the accounting tribunals, which are tied to the legislatures and form a legalistic body that focuses on close review of year-end reports rather than on curtailing and reining in existing corruption. The CGU, on the other hand, is actively involved in ensuring that municipal, state, and federal governments properly allocate federal resources. The CGU leads investigations on issues such as bidding, “ghost” employees and companies, and quality of implementation. At the municipal level, the CGU randomly selects fifty municipalities per year (out of 5,570) and conducts an extensive audit of each municipality’s finances. Although the number is less than 1 percent of all municipalities, it creates the understanding that the federal government is more aggressively monitoring how municipalities spend resources. The CGU also receives complaints from citizens, which further allows it to identify wrongdoing (Teixeira et al. 2013).

More broadly, the great unknown, of course, is whether the PT was involved in corrupt activities to a greater extent than previous presidential administrations or if the federal state was finally equipped with the resources to investigate and prosecute allegations of corruption (see Praça and Taylor 2014; Taylor this volume). While it is hard to know whether the PT was more corrupt than prior governing parties or whether the state was much better than before at effectively policing illegal arrangements, it seems fair to conclude that the improved institutionalization of the state’s oversight capabilities at least partially explains why the PT was ensnared in multiple corruption scandals, and why these scandals gained more prominence than similarly corrupt activities under prior administrations. What is baffling about the PT administrations is the continued engagement of many party officials in precisely those activities that oversight institutions were being strengthened to investigate.

President Dilma deepened the commitment to increased transparency by promoting the adoption of a sweeping Freedom of Information (FOI) Law as well as a critically important anti-money-laundering law. The former provides citizens the ability to gain access to basic data information using a formal request process that gives the government thirty days to respond. The FOI law had languished in Congress for years before President Dilma persuaded Congress to approve it (Michener 2015). The political push to approve the FOI was directly tied to Brazil’s role as a founding member of the Open Government Partnership (OGP). Eight countries founded the OGP and the organization was initially led by the United States and Brazil. The first annual
conference was held in Brasilia in 2012 and was headlined by speeches by President Dilma and US Secretary of State Hillary Clinton. The leadership of President Dilma, the PT, and Brazil in this organization captures the efforts of some PT officials to promote policy reform: government officials used the OGP summit to push through the FOI legislation, which gave the Brazilian government more legitimacy within the OGP as well as internationally (Michener 2015).

The money-laundering law was approved by Dilma two months after the FOI law, in July 2012. Most significantly, this law made it illegal to conceal assets even when prosecutors cannot directly establish a link between the assets and criminal activity, made “dummy” companies and individuals equally liable as those directing the laundering process, and made plea bargaining an option for prosecutors to pursue. This combination has given the Lava Jato investigators the tools to follow the money trail in complex kickback schemes and get to the intellectual authors, including high-ranking business executives and party officials. Especially without plea bargaining (known as delação premiada in Brazil), it is unlikely that so many and such high-ranking accomplices would have been investigated.

Overall, the new or reinvigorated participatory institutions under the PT and its rhetorical and even legislative support for transparency and oversight combined with economic growth and improving social indicators to help convince the PT’s base to continue voting the party into the presidency, at least through 2014. Dilma herself encouraged the notion that she was personally committed to fighting corruption, especially after the mensalão scandal, and was much more active than Lula or Cardoso in removing corrupt ministers from her cabinet during her first term (Ball 2014, 83–84). Initially this seems to have buoyed her popularity, but then the Lava Jato investigation and the economic crisis destroyed it in 2015. And, with her control over Congress in grave doubt, and impeachment proceedings looming, Dilma invited Lula into her cabinet in 2016, which was widely viewed as a move to help him avoid prosecution, thus shredding any credibility she had gained from her prior anti-corruption housecleaning.

**Conclusion**

Clearly, the PT moved far from its early roots as a party that sought to root out corruption and end the misuse of public resources. The PT has become quite schizophrenic, simultaneously engaged in some of the world’s most innovative social, participatory, and transparency programs but also exploiting traditional presidential prerogatives of naming vast numbers of allies to key jobs, which were then leveraged to allocate resources to the party and to officeholders. It appears that the political need to raise campaign resources
and create a stable voting majority in the national Congress had a greater influence over the behaviors of elite PT officials than the fear that the state would successfully prosecute these officials and than their interest in transforming Brazil’s basic political institutions. Ironically, it was the PT’s efforts to strengthen transparency institutions that help to explain how and why its high-ranking officials were successfully prosecuted for illegal activities. What is perhaps most baffling about the PT’s governing strategies is the disconnect between the party’s effort to improve transparency, participation, and accountability and its ongoing use of corrupt practices over the course of four presidential terms.

The PT obviously did not invent corruption in Brazil, but we must be mindful of the possibility that the absolute scale of the fraud was greater during PT administrations than other democratically elected governments because of the vast resources that were poured into the return of the developmentalist state during the 2000s and 2010s. Quite simply, the economic boom produced a volume of publicly available resources that had not seen since the late 1960s and early 1970s, when the government was controlled by the military. The bitter reality for many of the PT’s most loyal supporters is that the PT behaved, once in power, in a similar fashion to political parties such as the PMDB, the PSDB, and DEM (previously PFL), as well as to military governments.

There are four interweaving strands that help illuminate the PT’s schizophrenic nature. These strands are conditioned by external factors as well as internal features of the PT. Key external factors include the high cost of Brazilian elections and the basic governing challenges faced by the PT. Internal factors include the strategic decisions of the party’s dominant faction (the Campo Majoritário), and the establishment of new institutions that were designed to appeal to activists who sought to create new channels for participation and transparency.

These interweaving strands also help us to illuminate how the PT might continue to shape Brazilian politics. First, political campaigns, especially presidential campaigns, are expensive. The PT desperately needed campaign donations from large business entities and not only altered its political and policy positions so as to place the party closer to the political mainstream to attract funding but also directed federal budgetary resources to maintain funding for the future (Boas, Hidalgo, and Richardson 2014). However, after the Supreme Court’s 2015 finding that campaign donations by corporations are unconstitutional, political parties will need to find new ways to raise money, and public funding of electoral campaigns may become more important. The strengthening of transparency mechanisms may mean that parties will rely less on illegal contributions because there is a much greater risk that illegal
actions will be successfully prosecuted. Thus, one important change we expect to see is that prominent campaigns (for the presidency, state governors, and senators) will be subject to more scrutiny and oversight, which will diminish the use of kickback schemes and increase reliance on public funding.

Second, the original Campo Majoritário group that directed the PT's move toward the center has lost many of its top leaders to jail or party expulsion. Lula and the PT itself have lost so much popularity that it is improbable the party will retain past levels of electoral support. It will prove difficult for Campo Majoritário leaders to maintain their hold on the PT, which could provide an opening for those sectors of the party that are less connected to the scandals. If Campo Majoritário leaders lose their grip on power, the PT may attempt to return to its roots as an ethical, reform-oriented party. The obvious danger for the PT is that its descent into "politics as usual" will make it very difficult for the party to regain, in the public's eye, its original brand of "good government."

Third, the PT's most significant governing challenge—its position as a minority party—meant that it needed to use the extensive budgetary and policy prerogatives of the presidency to build stable voting majorities. The dark underside of "coalitional presidentialism" is that presidents must find a variety of carrots to induce coalition partners to support their actions. Given the limited policy positions of most Brazilian parties, this has meant that presidents distribute personalistic benefits, including government jobs and campaign funds. It is likely that future presidents will contend with similar problems, but the exposure, in the Lava Jato investigation, of bribery networks reaching all the major political parties has renewed calls for a switch to a parliamentary system or, more minimally, at least to an internal reorganization of Congress.

Finally, the expansion of oversight and transparency mechanisms under the PT helps explain why so many PT officials working in the executive branch were caught involved in wrongdoing. The PT governments strengthened the very state institutions that caught PT officials. Going forward, researchers and activists will need to closely monitor the administrative and political support given to these institutions. If there is continued support for transparency, participation, and oversight institutions, we would expect that illegal use of public resources will diminish. If future governments weaken the new institutional arrangements, it is possible that there will be reentrenchment of "politics as usual." Given the PT's weakened party brand on the issue of clean government, there is now an absence of a credible political party that is willing to systematically lead this political effort.

The PT is obviously badly wounded by its immersion into politics as usual. The open question is whether voters will punish only the PT for its descent into politics as usual or whether they will reject all major political parties. Re-
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gardless, it is unlikely that the PT will be able to reposition itself as a party that appeals both to voters with its modo petista de governar and to businesses and political allies with its acceptance of politics as usual. Lula appears to have been a singular figure in his success in incorporating both of these governing strategies. If Brazilian basic accountability institutions are strengthened, we would expect to see the “ethical” side of the PT gaining strength within the party, which would suggest that it would lead the party away from traditional, corrupt practices. But if the accountability institutions are weakened, we would expect that the PT will remain mired in “politics as usual” and unable to present a coherent vision of change.
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