

Political crisis deepens in Brazil: The rise and fall of Palocci

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The Brazilian government of President Luiz Inácio Lula da Silva, having seemingly survived a series of corruption scandals that appeared on the verge of bringing it down last year, was wracked once again this week by the resignation of its finance minister, Antônio Palocci Filho, amid a scandal involving bribes, payoffs and prostitutes.

Beyond the sleazy details of the scandal, the rise and fall of Palocci—considered the government’s most important minister and a favorite of Washington and Wall Street—reveal a great deal about Brazil’s Workers Party and those who played a prominent role in its formation.

The Workers Party (PT), the party of Brazil’s president Lula, was born in the great metalworkers strike struggles of 1978-80. Lula, then the leader of the metalworkers in São Bernardo, an industrial city in the state of São Paulo, led those historic strikes that brought together mass assemblies of approximately 100,000 workers. The most significant of these strikes, which took place in 1980, extended across the state of São Paulo, affecting diverse industrial regions including Ribeirão Preto, one of the main commercial and industrial centers of Brazil.

This region was also an important center of the University of São Paulo, the largest university in the country. In 1980, a young Antônio Palocci Filho was studying medicine there.

In that period of the closing years of Brazil’s military dictatorship, Palocci, still a young student, was a member of a clandestine group called the Organização Socialista Internacionalista (OSI—Socialist Internationalist Organization). The OSI was the Brazilian section of the so-called Committee for the Reconstruction of the Fourth International, the faction led by Pierre Lambert, who had broken with the International Committee of the Fourth International in 1971.

While Lambert’s committee did nothing to build the Fourth International, it was without a doubt the champion among those revisionist organizations calling themselves Trotskyists in helping to build the Workers Party led by Lula. It is worth noting that within the current Lula government, various ex-Lambertist “Trotskyists” like Palocci have held senior posts, among them Luis Gushiken, the ex-minister of communications, who was also forced out over charges of corruption.

Those who knew Palocci in the 1980s recall a conciliatory student, quite timid, who was never even known to speak out in student assemblies in the name of the student tendency to which he belonged, known as Liberdade e Luta (Freedom and Struggle).

However, with the development of the PT and the opportunist and uncritical adaptation of the OSI to this centrist party, soon the mediocre Palocci began to make his brilliant career, always proving capable in behind-the-scenes maneuvers and always climbing the ladder in terms of posts and power. In 1988, he ran as a PT candidate in the elections for the city council of Ribeirão Preto and was among the candidates receiving the most votes. Two years later, in 1990, without even completing his four-year term as a councilman, he was elected as a state deputy. In 1992, again without serving out his term, he was elected mayor of Ribeirão Preto.

This was the only position in which Palocci would complete his term of office. In his administration, this ex-follower of Lambert soon surprised everyone with his capitalist audacity, privatizing part of the local telephone company and contracting out the city’s sewage treatment to a private firm. He proved to be a great negotiator and a friend of the local business establishment. This period marked the formation of a team of businessmen and their friends that today is known as the “Ribeirão Preto gang.”

Palocci finished his first term as mayor in 1996. In that year, those elected to executive posts were still not allowed to succeed themselves, a restriction that would be lifted by the National Congress two years later. Thus, in 1997, he was elected president of the PT in the state of São Paulo.

In the 1998 elections, already using the resources of the PT’s “party machine,” Palocci was elected as a federal deputy with close to 100,000 votes. But, once again, he failed to serve out his term. In 2000, he ran again for mayor of Ribeirão Preto, easily winning the election.

The use of the powerful party machine was already obvious in this campaign. Palocci won the election in the first round, having hired as his campaign organizer no one less than Duda Mendonça, one of the most expensive political consultants in the country.

The ideological trajectory of this ex-leftist also became very clear in this election campaign: his running mate for deputy mayor was the president of the Commercial and Industrial Association, and when he took office, he brought in a banker as one of his municipal secretaries. Surrounded by his “businessmen’s gang,” which was constantly growing, Palocci moved easily within financial circles and earned a reputation as a great administrator.

But the decisive phase that would lead him to his post as Lula’s minister of the economy began in 2002. Celso Daniel, mayor of Santo André, was tapped to head the presidential campaign of PT

candidate Lula, but then there occurred an incident that has yet to be clarified to this day: Celso Daniel was murdered in a kidnapping classified by the police as a common crime. There still remain doubts, however, whether the crime was common or political. It is worth noting that after Celso Daniel's death, six witnesses involved in the case were also murdered.

Whatever the case, with Celso Daniel's death, Palocci assumed the post of Luiz Inácio Lula da Silva's campaign coordinator. With Lula's victory, Palocci took the job of directing the transition team and, soon afterwards, to general surprise given his medical background, he was named finance minister.

What then was his financial policy? While totally disillusioning the unions, the ranks of the PT and sections of national business, he favorably surprised even the most optimistic specialists and supporters of the International Monetary Fund. He continued the severe economic austerity policy of the previous government of Fernando Henrique Cardoso, and even deepened all of the unpopular measures already imposed on the orders of the IMF, such as high interest rates, the struggle against inflation, social cutbacks, welfare reform, and the accelerated payment of the foreign debt.

His measures became so unpopular that sections of the PT itself, fearing losses in the next elections, began to press for his removal. Nonetheless, backed by the Brazilian bankers and international capital, Palocci remained secure in his post, defended as well by the PT's right-wing political opposition.

Thus, with the eruption of the crisis of the Lula government in the second half of 2005, under the fire of corruption charges that threatened to lead to the impeachment of the president himself, it was Palocci who appeared to be untouchable—the one who was portrayed as the best or even the only decent part of the Lula government. Thus, as chief of staff José Dirceu, Lula's other strongman, fell, Palocci, on the contrary, seemed to rise, named as a possible candidate to succeed Lula.

Nonetheless, paradoxically, the untouchable Palocci, supported by the international financial system and by big capital, supported by the bourgeois opposition parties, supported and considered untouchable by Lula himself, was brought down in the end by the rottenness of his past, by the path that he had taken to his present high position.

The first charges came from within the “Ribeirão Preto gang” itself, the group that had aided him in his meteoric rise, but that perhaps, in the recent period, had felt somewhat forgotten by the powerful minister. An ex-member of the gang, Burati, began the denunciations. Palocci at first resisted and denied for a certain period all of the charges against him, but scandalous details began to emerge.

It is now known that when Lula came to power in 2002-2003, the “gang” rented a mansion in Brasília that served as venue for businessmen lobbying the government and the minister of economy himself. At the “gang's” house, deals were made, favors sold and briefcases full of cash exchanged.

In addition to these financial transactions, it was the venue for big parties that brought together businessmen, politicians and prostitutes. Nildo, the mansion's caretaker, testified that the day after such a party he would find the rooms full of empty bottles of

imported whisky and wine along with empty boxes of condoms and Viagra.

Nildo also said that Palocci came frequently to this house and that he himself had brought an envelope full of money to the minister in the government building. In defending itself from these damning charges from the simple and humble Nildo, the government committed a grave error: it violated the confidentiality of Nildo's bank account in an attempt to learn whether the caretaker was receiving money from the opposition.

Under Brazilian law, to violate the confidentiality of a bank account without judicial authorization constitutes a serious crime that is punishable by up to six years in prison. The scandal reached such proportions that Lula began to fall once again in the opinion polls. With elections coming, it was necessary to quell the scandal at whatever cost. Finally, despite the bankers and international capital, Lula, against his own will and as a matter of survival, was obliged to sack the minister who was both his strongest and the best loved by the right-wing opposition and by the Brazilian bourgeoisie.

Palocci's trajectory since 1980—his meteoric rise and his fall, from his membership in a group calling itself Trotskyist, passing through the construction of the PT, through his successive victories as a PT candidate, through his successive betrayals and suspected crimes, his alliances with the bankers and with international capital, up to the scandals of the “Ribeirão Preto gang's” rented mansion—represents a small history and a brief synthesis of the deep crisis that today is wracking both the so-called left and bourgeois rule itself in Brazil.

Brazil is reaching the end of a long political cycle, in which Palocci was a part and a symbol. It will no longer be possible to betray in the same manner this ex-Lambertist and the other so-called “Trotskyists” who aided in the building of the Workers Party. The PT itself, on the other hand, will no longer be able to delude the workers in the same way as it did during these 26 years.

What will the bourgeoisie do without the aid of the PT and its Palocci(s)? A great political vacuum is opening up. The time has come for the building of a new leadership in Brazil, a leadership that is truly internationalist and revolutionary.



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