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PT and the left

Political Resolution of the DS Brazil

- Debate - Building new parties of the left -

Publication date: Wednesday 16 February 2005

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This resolution brings together and develops the positions discussed by the tendency since the XII National Meeting of the PT. Its central concern is to understand the new political conditions opened up by Lula's victory and the new conditions for party-building in this situation. It aims to build a common view of events and tasks from the perspective of a militant, socialist and internationalist current, one that has been involved in building the PT since its very beginning and which actively intervenes in the dispute over its course.

I. A New Political Period

1. Lula's victory created the possibility of ending a long period of neo-liberal hegemony in the country. The result of the October 2002 elections represented a shift in the balance of forces in Brazilian society. The Workers Party got Lula elected to the Presidency of the Republic with 61% of the vote. It became the largest party in the Lower House of Congress, with 91 Deputies, and it elected 14 Senators. The PT's victory was a popular victory and a defeat for neo-liberalism. The PT and Lula, based on their historic commitment to the defence of popular interests, acted as catalysts for the desire for change.

2. This shift in the balance of forces represented by the PT victory was, however, limited by three aspects. Firstly, there was the alliance with right-wing sectors and the promise to continue key elements of the economic policies that had been defeated at the ballot box. Secondly, although the PT got through to the second round in a number of the state elections, winning some sizeable votes and victories in the states of Acre, Mato Grosso do Sul and Piauí, the party lost in Rio Grande do Sul. The PSDB and the PMDB won in the most important states. Thirdly, the electoral victory came in a period that had seen few significant social mobilizations. Although the election campaign saw a high level of political mobilization, little effort was made to stimulate social mobilizations

3. Despite the defeat of the group around President Fernando Henrique Cardoso, which had rigorously applied the neo-liberal programme throughout his eight years in office, the new situation did not automatically introduce a new hegemony. It retained key elements of the old one, alongside possibilities of a popular and democratic kind. The result is a broad field of social and political disputes, whose outcome is undecided and depends on the ability of social and political forces to act.

4. Following this defeat for the political core of neoliberalism, various sectors with different interests have been fighting to impose their own solution to the crisis. But the outcome is not decided in advance. We can expect to see the existing conflicts in Brazilian society grow deeper, with fresh possibilities for organising the democratic and popular sectors. The long-established hegemony of the ruling class has been shaken; there are now better conditions for building a democratic and popular alternative.

This situation is fundamentally different from that under Fernando Henrique Cardoso. He was able to implement the neo-liberal programme not only because he benefited from a balance of forces that was unfavourable for workers both within Brazil and internationally, but also because this combined with a comparatively cohesive line-up of political forces behind his programme.

5. Lula's victory occurs in a context of deep crisis for neoliberalism in Latin America, which has different political characteristics and potential in different countries.

This new scenario unfolds at a time when the international situation is marked by low growth rates in the world economy and a crisis of legitimacy for neoliberalism, which after two decades of implementation has produced even greater instability. Reinforced by the protectionism of the metropolitan countries and the unilateralist interventions of the United States, most blatantly with the occupation of Iraq, the structure of international domination grows deeper and seeks to impose ever stricter limits on the autonomy of countries on the periphery. In this framework we see conflicts develop between the centre and the periphery, between countries of the centre, as well as social and political conflicts within these countries. Most importantly, we see the rapid development of an internationalist movement since the Seattle mobilizations in November 1999, which has also based itself on the process opened up by the World Social Forum in Porto Alegre in 2001. Lula's victory has its most direct impact in South America, with the possibility of encouraging new elements of resistance to yankee domination in the region.

6. The new situation in Brazil also corresponds to an intensified debate and new perspectives within the broad social movement resisting neoliberalism, which was one of the main factors in Lula's victory and which will be of decisive importance for the developing balance of forces in society and for the evolution of the Lula government.

7. The initial period of government has accelerated the political rhythm and laid bare the big contradictions and challenges facing the PT and the political and social movement around the PT.

The range of political alliances, which already included conservative forces since the election campaign, has been extended to incorporate new conservative sectors, including some linked to the PSDB, which supported Jose Serra in the second round of the elections. These have taken on a key role in the government's economic departments; the core of the government has opted for a fundamentally conservative economic policy, which continues that implemented by the government of Fernando Henrique Cardoso.

On the other hand, there are important changes underway in international relations, in relation to land reform and in other areas of government activity. These changes go in the direction of the PT's historic programme and of what was proposed during the election campaign. However, they run into big problems as a result of the government's wider political and economic choices. As a result, the policy conflicts within the government have multiplied.

8. The challenges relate to the programmatic alternatives capable of overcoming the legacy of neoliberalism, which has been so destructive not only materially but also ideologically and theoretically. They stretch from alternative economic policies to the conception of government itself. They include the need to breathe new life into a perspective of transition to socialism, in response to the crisis of neo-liberal domination and to the possibilities of a new rise in social struggles. They cannot get around what has been and remains the central problem for the socialist left in our country for the last few decades, the need to defend a democratic and socialist conception of the party. The centre of these strategic debates is the PT.

9. Of all left political parties in Brazil, it is the PT that best reflects the general atmosphere of programmatic dispute underway. This is the party that has brought together the most important layers of militants from the various waves of democratic and popular struggles in the country. This is the party that still retains fundamental aspects of the experience of building a democratic, socialist party of the left, arguably the most important in Latin America. On the other hand, this experience was already confronting growing contradictions well before the 2002 election victory. Under the Lula government the situation has become much more complicated, as a result of the choices made by the government so far.

10. The leadership majority in the PT evidently has not been up to the challenges of the new situation. It has been developing a way of running the government and the party that conflicts with the expectations raised by the election and with its own political history, notably with the decisions of the last party congress, the PT's XII National Meeting. The current majority is showing itself incapable of formulating a vision to overcome the legacy of neoliberalism. The

party has not discussed in a minimally serious way the government's options (or, when these have been discussed, as at the seminar on pension reform, this has had little or no influence on the party's decisions). In fact the majority's main concern has been to demand loyalty to the decisions taken by the government. This attitude qualitatively changes the long-running problems of the party's internal functioning. It leads to a party structure and behaviour that is authoritarian and formalistic. It runs the risk of fragmenting the party just when it is most needed as an active and coherent force.

11. Some sections of the left react by declaring that this whole experience has run its course, that the PT and the Lula government have capitulated. They have begun movements (with significant conflicts between them) for the creation of one or more new parties. This approach has two fundamental problems. The first is one of evaluation and timing: it does not take account of what the PT still represents for the left and for social movement activists in Brazil. The second problem, which partly overlaps with the first, is even more important: it has to do with the conception of party. A possible new party formed by sectors leaving the PT would not have the positive aspects we have always identified in the PT project - of pluralism and democracy, of programmatic synthesis, of relating to a broad base in society. The proposal to build a new party is being directed by those whose ideas are not new in the socialist movement; they choose to stand on the sidelines of the most important experience of the Brazilian left. They bank on its failure and do not confront its difficulties as an organic part of the very broad vanguard. They are therefore unable to address the overall problems of the movement as a whole. Nor are they up to the challenge of going beyond the limits currently constraining the building of a mass party of the left.

12. In our view the democratic and popular movement is going through an unprecedented historical experience that is decisive, in every sense, for our future. The Socialist Democracy Tendency of the Workers Party stands as an integral part of this process; it shares the challenges facing the PT and the Brazilian left. We are intervening in the current process by pressing for the PT to link this decisive experience to the struggle against neo-liberal globalisation, the tyranny of the markets and parasitic finance capital, as well as the historic inequalities, exclusions and injustices that mark Brazilian society. Our perspective is to integrate this experience into a process whose aim is the end of capitalism and a democratic and internationalist socialism. In a combined way, we seek to make the connections between this new situation and the difficulties of the PT, taking up the challenge of renewing our approach to building a mass socialist party, by disputing the strategic direction taken by the PT and the broad social movement around it.

13. Our aim is also to discuss with the party as a whole and especially with those comrades who share similar objectives and concerns. We understand that the situation demands a coming together of all those who have expressed concern over the government's initial choices, and an effort to intervene together in the big questions posed, both in terms of the dispute in society and the dispute over the party's direction and approach.

II. Initial Balance Sheet of the Government

1. The first eight months of the Lula government were characterised by the construction of a system of alliances including broad sections of the bourgeoisie, by a fundamentally conservative economic policy, and, on the other hand, by limited progress in introducing changes.

2. The economic policy adopted has weighed heavily against the intentions to carry out changes. It can be summed up as follows:

a) The macroeconomic policy carried out by the Finance Ministry and by the Central Bank can be judged as basically a continuation of that carried out by the government of FHC . It cannot even be said that a transition is being implemented to some other policy. Even if Brazil's delicate economic situation may have indicated a need for prudence, this in no way justified such a continuation. On the contrary, since it was the previous policy that was

responsible for the Brazilian economy's difficult situation, fundamental changes were needed.

b) The macroeconomic policy has also expressed a total subordination to IMF guidelines. That's why the Brazilian government has been singled out by this institution as a model to be followed. Naturally, this is a very uncomfortable situation for all those who expected a government of the left, defending popular interests. Of course both the continuity with the FHC government and the subordination to the IMF adjustment model are in complete contradiction with the documents of the 2002 election campaign. It is therefore no surprise that this section of the government has come into conflict with other sections of the same government.

c) The current policy is based on tight fiscal targets (its most important aspect is the raising of the primary fiscal surplus), on tackling inflation through high interest rates and on winning the confidence of the financial markets. The reforms introduced, especially the pension reform, which is well regarded by the markets, are a part of this policy. It is important to point out that this policy has some seriously incoherent aspects: the main purpose of raising the fiscal surplus - to avoid an increase in the debt ratio (between public debt and GDP) - has not been achieved. This ratio went up from 56.5% in December 2002 to 57.7% in September 2003. In spite of the tremendous tightening of the fiscal belt, the high interest rates and low economic growth took a negative toll.

d) This policy helped to stem the fall of the Brazilian currency - the Real even made a significant recovery - and to a marked fall in inflation. On the other hand, an important part of these achievements is down to the increase in exports and the trade balance, itself largely due to the devaluation of the Real at the end of 2002. And the current reversal of this process owed much to the arrival of speculative capital driven by an international tendency in this direction and drawn by the high Brazilian interest rates.

e) These achievements, however, should not be seen as permanent. Even a limited return of economic growth will be likely to reduce the trade surplus and bring back an imbalance in the external accounts accompanied by a new devaluation of the currency and new inflationary pressures. What's more, the speculative capital that has come into Brazil can easily leave at any moment. In fact the external vulnerability of the Brazilian economy is actually being sustained by the current policies.

f) The steps taken to expand credit for small rural producers would be an important element in stimulating the economy if the macroeconomic policies were different.

As it is, they have had little impact. Similarly, the programmes against hunger and unemployment, which could be important components of a process of development with income distribution, run the risk of being reduced to ineffective compensatory measures. Both look like attempts to "wipe blocks of ice dry".

g) The precarious nature of the current policy's positive achievements makes it all the more important to point out its seriously negative consequences. This policy has led to a deep recession (at best the result at the end of 2003 will be one of economic stagnation), increased unemployment and a fall in the real incomes of the working class and society as a whole (all these trends are well documented in the official statistics). What's more, the combination of increases in the primary surplus with high interest rates means a big transfer of wealth to the owners of financial assets, that is to the wealthiest sections of society. Not only has the population's income as a whole fallen; it has also become more concentrated.

h) Unlike the achievements, which could easily be reversed, the negative consequences of the policy pursued by the Finance Ministry and the Central Bank will be very difficult to overcome. It makes more difficult the desired return to sustained economic growth. The recovery that began in September is fragile and probably won't create a significant number of jobs. It's planned to keep the primary fiscal surplus high throughout Lula's term in office; this will limit the possibilities for public investment, while the fall in incomes limits the scope for private investments. Thus, even if interest rates are reduced more significantly (which, as inflation falls, would be in line with the logic of the current

policy and would not in itself indicate a change of policy), economic growth will tend to be limited - and will be permanently threatened by continuing external vulnerability. Without a profound change in economic policy, the Brazilian economy will tend to continue the pattern of stagnation interspersed with fragile recoveries - what economists call 'stop and go' - that has characterised it since the FHC government.

3. As far as its approach to governing goes, the first ten months in office have not seen the government put into practice a set of policies that would characterise a system of participatory democracy. The method for winning majorities in parliament has been an extension of the policy of alliances with conservative forces: in general it does not rely on mobilizing those sectors committed to change. Participatory democracy and social mobilization are challenges that remain outstanding. They need to be treated as priorities for the party.

In this situation, the ever-broader governing coalition, incorporating individuals who symbolise the worst of Brazilian politics, is something that compromises the popular project. It is necessary to prevent the search for alliances with no programmatic basis from blocking the path to social change.

4. It is important to point out that some initiatives taken by the government and the social movements could represent initial steps towards participatory democracy and popular mobilization. There are processes of consultation and debate initiated by the government in different areas and on different issues, which keep open the channels of communication with society. There are also initiatives to open a dialogue with the social movements, as well as important initiatives taken by the social movements themselves to begin democratising public policies.

We should note, however, that these are insufficient, if they remain isolated from one another, to consolidate a practice of participatory democracy. What is more, the government has not submitted its central choices to any kind of debate at all with the social movements or society at large.

5. In relation to agrarian policy, from the beginning the government has been developing a constructive relationship with the social movements in the countryside alongside a broad dialogue in society.

The aim of this is to implement one of the biggest and most important reforms in the country, whose realization will be historic and decisive for overcoming one of the most revolting situations of inequality and violence in the world. Most immediately, it seeks to rehabilitate the land settlements carried out during the FHC government, ensuring them full rights as citizens and overcoming the chaos affecting their ability to produce. What is more, a new vision is being developed for co-operative and family agriculture, as part of a project for changing the economy and society. The financing of the harvest for small producers and the development of economic alternatives to make the land reform settlements more viable are the first concrete results of this. Also, recognising the urgency of establishing new agrarian reform settlements, the government has committed itself to an emergency programme to settle 60,000 families in the current year. This whole policy, however, runs into the budget restrictions resulting from the economic policy adopted. This of course is not just the case with agrarian reform. It merely illustrates the wider contradiction between social change and maintaining basic aspects of the economic model inherited from FHC.

On the other hand it is vital to emphasise the determination to confront the criminal, armed opposition being organised by the landowners through their militias. It is necessary to act firmly and immediately to punish those responsible and prevent them from organising a landowners' state in the Brazilian countryside.

6. The pension reform is fundamentally a consequence of the approach to economic policy and has had a profoundly negative impact. By looking at it in terms of balancing the books, without linking it to a strongly progressive tax reform, and by relying on an even broader spread of conservative allies to push it through, the government's pension reform bill ran into conflict with the CUT and the civil servants, which include some of the social forces that were decisive for Lula's election victory. It was widely questioned within the party and amongst active PT supporters. This led to some partial changes in the original proposal, which reduced the damage inflicted. But these weren't enough,

either to mend the basis political relationships needed to govern with popular participation, or to preserve the conquests of the social security system itself.

7. In international relations, the government's policy has brought important changes. Apart from opposition to the US attack on Iraq and steps to assert a generally independent policy, the most important change has been the search for new alliances and South American unity. This effort is counterposed to US policy for a Free Trade Area of the Americas (FTAA), which the PT's XII National Meeting defined as a policy of subordination and annexation. The government's position changed the course of the negotiations, and revealed the conflict of interests between South American countries and the United States. Also in the WTO negotiations at Cancun, the Brazilian government opposed the US, and the European Union as well.

However, fundamental differences have emerged within the government on these questions, especially around the FTAA. The Ministries of Finance, Agriculture and Development have explicitly adopted a position critical of the approach taken by Itamaraty. Although the latter has been confirmed as being in charge of the negotiations, its opponents have gained more space to influence the talks. Their final outcome depends on a number of factors; there is no guarantee it will be favourable. One factor that weighs negatively is the continuing external vulnerability of the Brazilian economy, which gives the Bush administration ample room to press for Brazil to make concessions. The approach that now prevails, to go for a so-called 'low-calorie FTAA' ("ALCA light"), although less damaging for Brazil and other countries, is also negative. The campaign for an official referendum on the FTAA, with the aim of rejecting it as a whole, therefore remains as important as ever.

Finally, an assessment of the Lula government's foreign policy has to take account of the fact that part of this is not conducted by the Foreign Ministry, Itamaraty. Relations with the IMF, which are a decisive aspect of foreign relations and influence many other areas, depend on the Ministry of Finance and the Central Bank. The problems this entails were made clear when Brazil, unlike other countries, failed to support the Kirchner government in Argentina when it suspended payment on a part of its debt as a means of exerting negotiating pressure.

8. Over various other issues conflicts have increased within the government, pitting conservative sectors against others more in tune with the social movements. These issues include: GMOs, where on one side the ecological movement and the Ministries of the Environment and Agrarian Development are lined up against, on the other side, agribusiness represented by the Ministry of Agriculture; human rights and the indigenous question; the conflict between the proposed budget and resources for health; the conflict over state universities, following the Finance Ministry's new document ('The Central Government's Social Spending').

9. In this last case, apart from the entirely false arguments in the Finance Ministry document, we have to categorically reject the view of higher education that does not prioritise the strategic role of state universities. There was a significant reaction from the academic community and even the Minister of Education himself, Cristovam Buarque, whose declarations defending free, publicly-financed, higher education were even supported by the PT President, Jose Genoino Neto.

As for health, the attempt to include spending on this sector under a general rubric, overriding the gains won by the movement and written into the constitution, were blocked by mobilisations in the health sector and by action in parliament to defend the gains.

10. As for policy on indigenous questions, the conflicts have mostly resulted from the failure to ratify areas of land already marked out as indigenous lands - and even to reduce the demarcated areas (as in Para state) - and from the absence of an indigenous policy worked out democratically with the communities. In addition there is the lack of funds for public policies to protect the communities. This situation has resulted in an increasingly conflictive relationship between the indigenous communities and the government.

On human rights there have been several retreats: not opening up the secret files on military repression, not pushing through the enabling legislation relating to the international criminal court, setbacks on the laws defending human rights, for example on sentencing and on the lack of protection for human rights campaigners. This is just one aspect of the more general problem of insufficient funds in the budget for human rights policies.

11. The government's environmental policies reveal the contradiction between its programmatic commitments and the alliances and concessions the government has made. This is an area that for a long time has been insufficiently discussed within the party, and now there have been a series of defeats. These include the authorisation for the sale of GM crops in January, and the authorisation of their planting in October, under the pressure from agribusiness; the importing of used tyres from Uruguay, as a result of Mercosur policy; the opening of the Colono Highway, inside a National Park, under the direction of a PT member of parliament; the continuation of work on the Angra 3 Nuclear Plant; the announcement of public-private partnerships in sanitation, with the consequent risk of privatization in the sector. To this should be added the inclusion of non-sustainable projects in the Multi-Year Plan (PPA) and the official decision that the country's water basin should be the basis of Brazil's energy strategy. These developments have had a political cost, with PT Deputy (and environmental campaigner) Fernando Gabeira leaving the party and its environmental credentials being called into question.

On the other hand, the resistance that developed inside and outside the government during the run up to the decision on GM crops and in defence of the original version of the Bill on Bio-security (which is now in dispute in parliament) show political gains that need to be built on in the environmental movement, in parliament, in the government and in the party.

12. Looking at the this initial period of government as a whole reveals a dynamic of conflict both within government policies and in the relationship between the government and the social forces that got it elected. At the centre of these conflicts is the economic policy that continues to leave the economy vulnerable to external forces and imposes adjustment policies that are governed by a neo-liberal logic. As we have seen, this policy is being questioned in the party and within the government itself (as is also happening with the restrictions on investments by state enterprises and land expropriations for agrarian reform, all as a result of the priority given to the IMF target of a primary surplus). Unfortunately, however, from what has been revealed so far, the recent announcement of a new agreement with the IMF, essentially the same as the one before, represents a new show of strength by the neo-liberal core of the government (especially those sectors of the Finance Ministry identified with the IMF line).

It is vital to keep up these criticisms. What's more they need to be widened to include the role played by the private banks and by interest policy, both linked to an economic model that is subordinate to foreign and domestic financial interests.

Once again, the formulation of the PT's XII National Meeting retains all its relevance: there will be no social change without a change in the economic model. What needs to be added now is that this double change depends on political choices - choices that of course have to taken into account and be based on a continuing shift in the balance of forces, nationally and internationally, in favour of the workers and the majority of the population.

The election of a PT government raises again some classic themes of the struggle for social change, pointing to the importance of electoral victories but at the same time demonstrating their limitations. If the PT and other left parties, as well as the majority of the people and their social movements, remain passive, then they run a serious risk of seeing the ruling classes, especially those sections linked to finance capital, achieve their aim of getting the government to set limits to any change (which is what, so far, they have succeeded in doing).

III. New Possibilities for the Social Movements in a More Complicated Situation

1. The new situation in the country demands a big change in the way the social movements operate. After a very defensive period, especially for the trade union movement, the victory for the popular and union movement through

the election of Lula opened new possibilities for organization and mobilization.

2. It is true that the economic and social conditions that gave rise to the defensive phase, especially unemployment, continue and have even grown deeper. But the political conditions are different. This includes the rise of the anti-globalisation movement, which is giving an international dimension to the various actions of the movements. On the other hand, the fact the Lula government is defending and implementing important policy positions that clash with the aspirations of the social movements, makes the situation as a whole more complicated. A phase of expectations in the government is giving way to another, involving criticism of the government's policies and the organisation of joint actions to put pressure on the government and to dispute the direction it is taking.

3. The recent establishment of the Co-ordination of Social Movements is an important step in this direction. It was created with the aim of uniting the various movements based on an understanding that only popular mobilisation can ensure gains for the working class. Most of the movements taking part had already worked together in the campaign against the Free Trade Area of the Americas. This meant that from the beginning there was a large measure of agreement on a critical view of the Lula government's economic policy. In the discussion on what joint action to take, it was decided to begin with a campaign for jobs, on the grounds that this struggle at the moment offered the best possibilities for mobilisation and unity. The platform adopted expresses a broad view of the fight for jobs, including agrarian reform, national sovereignty and recovering the social role of the state, among other aspects.

4. An important process of politicisation of the social movements is underway and should be reinforced. It centres on the relationship of these movements with the government. One of our main tasks is to help develop this process so that the social movements assert themselves as key players in the dispute over the direction taken by society and by the government.

5. It is important that we integrate into this overall perspective the specific contributions we have developed in the social movements.

IV. Develop a Platform of Struggle for a Change of Direction

As well as strengthening the united political intervention of the social movements, it is important for us to help develop a broader platform of programmatic dispute in society and push for a change in the direction taken by the government. This should deepen the interchange between the discussion of alternatives within the PT and the government, and the processes developing in the social movements, so that the two reinforce each other and come together to contribute to a socialist renewal of the programmatic identity of the popular and democratic movement as a whole, and to a change in the direction taken by the Lula government.

In seeking to make these connections, we highlight the following aspects.

1. Popular participation in political decisions is decisive for asserting a government of the left.

The huge expectations raised by the election of Lula should be converted into the promotion and implementation of participatory democracy as a way of governing and into a constructive relationship with the social movements. At the same time the PT should have both a commitment to the government and autonomy from it, as well an ability to intervene in social struggles. This is the best defence of the popular and democratic project of the Lula government. It is an alternative to traditional ways of governing, based on the support of alliances that end up pushing you away from a programme of change and shielding the administration from the action of the masses. The encouragement of participation and radically democratic control are some of the aspects that most sharply differentiate conservatives from progressives. Of course this approach does not exclude particular agreements in parliament and at an

institutional level, but it subordinates such initiatives to the broader process of popular participation and to building social legitimacy and political hegemony for the programme of change.

Participatory democracy is a central part of the Guidelines for a Governmental Programme agreed by the PT at its XII National Meeting in Recife at the end of 2001.

“Participatory management of public affairs - one of the hallmarks of our local and regional governments - should play a key role in reshaping the relationship between the Brazilian state and society, including at national level. The development of new democratic public spheres, directed towards public co-management and power-sharing, towards a combination of representative democracy with participatory democracy, will also be a crucial factor in combating corruption, promoting rights and encouraging the participation of the majority of society who are currently excluded from almost all decision-making processes. It will open up not only space for state and society to debate and decide, but also a battle to displace the culture of political influence-peddling and the values of neo-liberalism.”

However, this approach to democracy was watered down in the Government Programme finalized by the National Directorate in July 2002 (whereas in the Guidelines one of the headings was ‘The Question of Democracy’, this disappeared in the Government Programme). It’s not that the idea was ‘revoked’. It was reaffirmed in various meetings and is one of the main innovations of the PT’s local governments. It reappears as a central concern of the Multi-Year Plan presented by the government for discussion in society. We must not allow the most generous enthusiasm that people felt when Lula and the left won the elections, to be squandered.

In defence of a National Participatory Budget (PB-BR)

a) An open, direct debate with the Brazilian people over the federal budget - a national participatory budget - is one of the key steps for advancing a democratic revolution in the country and developing an alternative model of development. The federal budget is one of the most important ways of revealing the relationship between the state and society, and the political choices available in terms of fair taxation and spending, and even the country’s subordination to foreign interests. It reveals, for example, who contributes to the public purse, how most of the budget is committed to paying interest and capital on the public debt, severely restricting what is available for social spending; and also the effect of imposing the primary surplus contained in the agreements with the International Monetary Fund.

The experience of the participatory budget (PB), introduced and developed over the last 15 years in Porto Alegre and extended for 4 years in the Democratic and Popular Government of Rio Grande do Sul, as well as local experiences throughout Brazil, like for example Belo Horizonte, Sao Paulo, Campinas and Recife, has shown that this is a strategic instrument for participatory management and planning, for distributing the public purse and building active citizenship. As such it has become a point of reference in Brazil and internationally. The experience of implementing the PB at state level, during the administration of Olívio Dutra as governor of Rio Grande do Sul state (1999-2002), has debunked the argument of those on the right, and those who favour centralised control, that the PB was only possible at municipal level. On the contrary, the experience at state level hugely increased the financial resources potentially available, both from within the budget itself and from external sources. The larger scale also gave the PB increased legal powers to act on social policies affecting the whole state, which it could not do at municipal level. The characteristics are even more accentuated at national level.

b) Over the years the PB process has established a series of concepts (of participatory democracy, social processes - participation, organization and co-management), universal principles and a methodology that should be taken into account when it is implemented and developed across the country.

One of the fundamental principles is to ensure free, direct and universal participation for all citizens. This requires a methodology of direct democracy and participatory planning that guarantees that citizens take part in the PB assemblies with decision-making power.

Another principle is the self-regulation of the Participatory Budget process, carried out by the participants themselves. The Brazilian constitution stipulates that public budgets are laws drawn up the executive arm. Thus the elected government has the right to draw up a proposed budget and then send it to the legislature. Therefore implementing the PB does not require any specific law, only the political will of the government elected through representative democracy. On the other hand the Legislative Power does retain all its prerogatives, turning into law the budget proposal which the executive has elaborated with popular participation. This principle of self-regulation has the advantage of allowing the PB participants every year to make a critical balance sheet of the concrete experience and introduce innovations in the regulations that govern the method both of direct democracy and of participatory planning.

The discussion of all the budget and public policies is also an important principle that needs to be observed. You cannot separate a part of the budget for discussion with the community, because you need a vision of the whole thing to be able to make decisions. It is necessary to open up the budget in its entirety, including personnel costs, public debt, basic services, investments and related activities, development projects, as well as the extra-budgetary financial resources available through the state banks. In this way the population gradually takes charge of public spending and policies, creating the conditions for their effective participation in the public administration as a whole. The government should also make all the facts relating to income and spending available to the population, and explain the technical aspects so that the population can really be in a position to analyse, decide and control the public budget.

Lastly, it is necessary to include the principle government accountability in relation to everything decided in the Participatory Budget. For the PB to be a process of popular participation with decision-making power and control by society over the execution of the budget, the decisions taken by the population and the government need to be documented and published so that they are available to everyone. Therefore all the decisions of the PB need to be published in a document called the Investment and Services Plan.

c) On the basis of the experience of the PB so far in creating and developing mechanisms of direct democracy and participatory planning we can pose a number of issues for the implementation of a Participatory Budget at national level - the PB-BR.

– The first question is to be answered is whether the participatory budget at national or federal level is viable? The answer is yes. Because its legal powers to implement policies of social and economic development will be greater, and so will the financial resources available.

– The second question, given the budget allocations for investments and related services, as well as the credit available from the National Development Bank, the Bank of Brazil and the Federal Savings Bank, is the need to draw up a list of the kinds of social and economic development programmes and public works and services that could be discussed and decided by the whole population of Brazil in the Brazilian Participatory Budget (PB-BR). These programmes would have to meet the technical and legal criteria that would allow them to be implemented either directly by the federal government or in partnership with the state and municipal governments, under the control of PB-BR delegates and the various thematic and sectoral councils.

– The third issue is to improve the federal pact between central and local administrations and combat regional inequalities. In this national-level PB, we would have, in addition to a direct relationship with the population, other political agents like the state and municipal administrations. This should strengthen the federal pact. It would allow the federal government's own funding for development policies, public works and services, as well as those it carries out in partnership with local and regional governments, to be submitted to the scrutiny of popular participation in the participatory budget. At the same time they would be subject to the PB's objective criteria for a fairer redistribution of resources between the different regions, states and municipalities of the country.

- A fourth question would be guaranteeing direct participation by citizens across Brazil, in every state, region and municipality, in public PB assemblies with full decision-making powers. We already have the methodology of direct democracy and participatory planning to do this. We also have the software to collect and collate the priorities decided by the population, which we used at state level in Rio Grande do Sul. These can be the starting point for a Brazil-wide participatory budget (PB-BR).
- The fifth question is how to organise and mobilise people for these public assemblies of the PB-BR. In co-ordination with the federal government, the social movements and other organisations of civil society, as well as states and municipalities, would take responsibility for publicising and mobilising for and organising the infrastructure of these assemblies. This would give the PB-BR greater autonomy from the state from the outset.
- Lastly, it is necessary to draw up a proposed rule-book to begin the PB-BR process, with objective criteria for distributing resources between the country's regions, states and municipalities, a method of planning for the choice of priority themes and programmes, a system of proportional representation for PB delegates and councillors, as well as a clear outline of the stages of the PB-BR process. All this requires the setting up of a government working group with the participation of society, to deal with all the questions posed in drawing up a project for the Brazil-wide participatory budget.

2. Alternative economic policies

There is an alternative strategy, which can be summed up in terms of the critical contributions of various economists linked to the PT and the left, and which also corresponds to ideas contained in both the Guidelines text of the 2001 Meeting and the Governmental Programme. This vision also corresponds, in part, to the Strategic Orientation of the Multi-Year Plan (PPA), put out by the government for discussion since June, which conflicts with the policies of the Finance Ministry and the Central Bank (although the PPA has less real weight than the concrete measures of economic policy adopted by the Finance Ministry and the Central Bank).

a) The most immediate problem for the Brazilian economy is its external vulnerability, the sharpest expression of the country's economic dependence. Therefore this must be tackled first, and this cannot be done by seeking "to win confidence" through greater fiscal adjustment, because this in fact means leaving the economy hanging on the interests and whims of the financial markets. Confronting this external vulnerability has at least three aspects: introducing controls on capital movements; keeping control over the fluctuations in exchange rates, avoiding an over-valuation of the currency, the 'real', and thereby ensuring a solid trade surplus; increasing currency reserves.

b) Confronting this external vulnerability means not trusting in foreign capital to promote the country's development. In other words, the axis of development must be domestic. One condition for this is restoring national autonomy in deciding development policies and, therefore, not renewing the agreement with the IMF. This aspect is all the more important when the world economy is facing a period of recession or stagnation.

c) Sustained reduction of interest rates is a central theme of an alternative economic policy. One condition for this is developing broader approaches to controlling inflation, which are less dependent on reducing aggregate demand (which is what keeping interest rates high seeks to do). In the way the Central Bank could be guided by the need for development and jobs, and not just by the fight against inflation.

d) The approach based on giving priority to the so-called primary surplus (the resources devoted to paying interest on the public debt) and the means of calculating this must be questioned, because they imply giving greater importance to the financial debt than to the social debt and all the country's needs. They also have a strong bias against public investment. Even if we accept the aim of preventing the public debt from growing as a proportion of GDP, this could be achieved by paying less interest, if interest rates were lower and economic growth higher. Paying less in interest would allow more public investment, which is necessary to achieve a prolonged cycle of economic growth and also greater social spending.

e) On the other hand, there is no reason not to tackle the question of public debt, foreign and domestic, more directly. As far as the foreign debt is concerned, its legitimacy is questionable and we need to carry out an audit on which to base future negotiations, and to impose a moratorium, as proposed by Celso Furtado. As far as the domestic public debt is concerned, we also need a renegotiation. At a time when almost the entire Brazilian population is being asked to make sacrifices in different ways, it is unacceptable that the banks and holders of financial assets in general, who have benefited so much from the current economic policies, should fail to make their contribution.

f) Lower interest rates and more public investment should produce sustained, higher growth. As we have seen, this makes unnecessary the high primary surpluses sought so far. This is exactly what the Government Programme of the 'Lula for President' Coalition referred to as, "escaping the trap of the fiscal anchor and shifting to the motor of development". The other important initiative connected with this will be taking up again the role of the state in co-ordinating and stimulating development.

g) Greater economic growth will permit a reduction in unemployment, which should be reinforced with specific policies, like the reduction in working hours without loss of pay and an increase in workers' wages. This, therefore, is the key to reducing poverty and social inequalities. It should be combined with a greater emphasis on development through expanding the domestic market, which is a long-standing PT proposal (repeated in fact in the Strategic Orientation of the Multi-Year Plan (PPA) - 2004-2007). In other words: we need to emphasise that we want a national development project, as we have so often stated.

h) A national development project is not counter-posed to extending relations with the countries of Latin America and others in a similar situation to Brazil. This aspect of the Lula government's foreign policy is important and should be reinforced. On the other hand, any development is opposed to the FTAA (Free Trade Area of the Americas). In the terms proposed by the United States, this is a project for annexation and would seriously compromise national sovereignty. This is the position the PT repeated in the election campaign and it should continue to guide our approach.

i) Defining a national (and Latin American) development project also implies creating mechanisms of democratic control over the decisions of the Central Bank. The plan to give it greater autonomy should be emphatically rejected; in fact, it already has too much autonomy. Similarly, tackling the problem of the regulatory bodies, which have "subcontracted the administration", should also include creating mechanisms of social control. We should also emphasise the fight against the privatisation of the regional state banks, as stipulated in the fourth revision of the agreement with the IMF (in August 2003).

j) In the process of implementing this national project, it will be necessary to try to develop elements that will be part of building a socialist alternative. In this sense, agrarian reform, the strengthening of policies to encourage alternative economic initiatives (the Economy of Solidarity) and extending workers' rights within big companies, amongst other measures, should be a priority.

3. Agrarian Reform and a new agricultural model as conditions for a popular, democratic development project

The fight for agrarian reform, because of its importance and urgency, is a central task for the Brazilian left. Rural workers, their movements and organisations, are part of the strategic alliance of social forces committed to transforming the country. The tradition of the left, and even of the Fourth International, has subordinated the peasantry to the workers' vanguard in the struggle for socialism. The experience of Latin American countries and even recent Brazilian experience redefines the place of traditional rural communities, family farmers and peasants and puts a new value on their political participation.

The agrarian question is a contemporary question that is still unresolved from the point of view of popular interests. Family farms do not have access to credit when and how they need it; the absence of guaranteed minimum prices, technical assistance and know-how appropriate to their needs, as well as agricultural insurance, leads them into debt and the loss of their small-holdings.

Even despite these difficulties, family agriculture and land settlements account for the majority of rural jobs and for the production of the majority of the goods that make up the basic consumption of the Brazilian population, as well as a significant proportion of those that go for further processing. Large-scale, cash-crop production for export plays an important part in Brazil's trade balance, but it doesn't create proper jobs in sufficient quantities and it produces a very unequal struggle for access to the best land, and to the public resources available for rural credit. Re-branded as 'agribusiness' it is held up as the saviour of the Brazilian economy, as a modern, professional sector that creates wealth, as an example of the 'productive countryside', in contrast to the landless, who supposedly produce only violence and insecurity and are a symbol of backwardness.

The worsening social, economic and environmental problems in the countryside show the need for a new agricultural model. This must include deep changes in the structure of land ownership and in the programmes of support available to family farms and the land reform settlements for production and marketing. The Family Agriculture Harvest Plan recently presented by the federal government is one important measure, aiming to strengthen a sector that could come to play an even more central role in Brazilian agriculture.

Tackling the agrarian question, and integrating it into a development project based on the domestic market, therefore needs the implementation of large-scale land reform of a new kind. This will promote the democratisation of access to the land, of power and of income, the universal extension of basic rights to an important part of the population that lives and works in the Brazilian countryside, more balanced occupation of territory and environmental protection, as well as playing a key role in ensuring food sovereignty and stimulating regional economies.

Fighting for land reform is also part of the wider dispute with the legacy of neo-liberalism and with the most conservative sections of Brazilian society. The agrarian counter-reform carried out by FHC sought to criminalize and delegitimize the movements, and run down the settlements by locating them in isolated areas with no support for production or marketing. They wanted to associate the struggle for land with backwardness, violence and a supposed threat to "productive agriculture". And they sought to distort the economic and social need for a profound change in the structure of land ownership by introducing policies and programmes for access to the land through the market place.

The challenge for the Brazilian left, therefore, is to put the theme of land reform back on the country's political agenda in a central and positive way, giving fresh weight to its ideological, economic and social dimensions, as part of a national development project. This active commitment to land reform implies a broad and militant expression of solidarity with the MST, Contag and the other movements that play a democratic and civilising role, in order to develop the social pressure needed to confront the reaction of the big landowners and their militias, who are the real symbols of backwardness and sources of violence.

The National Agrarian Reform Plan begins a new phase of federal government action on this question. It is the expression of an approach cemented in dialogue with the various movements and bodies that share a commitment to change the Brazilian countryside into a zone of peace, democracy, production and quality of life.

The targets put forward express the big challenge of combining quantity and quality, shaping the different tools available to meet the needs of a variety of audiences and regional specificities. They involve settling more families in four years than in the whole of the previous government and resolving the social, environmental and production debts of the existing settlements. They also include creating conditions for the country to regain control of its own territory

through a new, geographically precise land register, measures to reorganise agrarian holdings through land credit, and encouraging stability by giving title deeds to small land squats. What's more they aim to overcome gender inequalities with specific policies; they recognise the rights of traditional rural communities, giving deeds to the areas occupied by old maroon communities ("quilombos", the communities set up by escaped slaves) and re-locating the non-Indian inhabitants of indigenous areas; and they also guarantee resettlement for the rural populations affected by dams and give support to riverside communities.

In the new model of agrarian reform, the priorities are geographical concentration, economic viability, integrated production and environmental sustainability, incorporating each settlement into a project of regional development. On the ground, the agrarian reform settlements will be integrated with family farms and traditional rural communities through shared structures for marketing and industrial processing, laying the foundations for a new agricultural model.

It is worth pointing out the importance of the fact that this Plan was presented to the different movements involved in the March for Agrarian Reform. This recognises that the unity of the peasantry, expressed in an unprecedented way in that March, and the ability of these social fighters to organise and mobilise, are fundamental conditions for the Agrarian Reform to be part of a project of social transformation.

4. The government's international agenda and the new social internationalism

Lula's election in 2002 was part of a broad process of ever-greater rejection of the neo-liberal agenda in different parts of the world. There is a clear loss of legitimacy on the part of the multilateral bodies - led by the imperialist countries - that are charged with imposing the neo-liberal world order, such as the IMF, the World Bank and the WTO.

The most important reference point for the beginning of this process was the demonstrations against the WTO in Seattle in November 1999. These saw a coming together, in the streets, of a variety of social sectors and movements with very different political cultures, of activists from different political generations, of representatives from social organisations of the entire world who joined in mobilising against the international, neo-liberal order.

Seattle put an end to the frustrating process of the previous two decades, when civil society bodies took part in a series of UN social conferences, whose promises remained just that, with social organisations queuing up to legitimise the same old bureaucratic procedures. It was the legitimacy of those who took to the streets, however, that allowed the World Social Forum to be launched in Porto Alegre in 2001, seeking alternatives to the neo-liberal order and, later, to North American militarism.

If Lula's victory was the main expression, on an institutional level, of this revolt against the neo-liberal order, the main features of his government's economic policy in its first few months for the most part clashed with the expectations and desires of this very broad, international layer of activists. The sympathy felt for the Brazilian government among large sections of the population in various countries, could give the Lula government more power to intervene on the international political stage. But a growing distance between the two would reduce the government more and more to attempted agreements with, and effective subordination to, the conservative governments that still dominate the great majority of countries with real international weight.

The World Social Forum is a very important political space to exchange ideas and experience with the different social sectors opposed to neo-liberalism. The WSF has proven more and more effective as an international space for dialogue and convergence between the social movements and left alternatives. Rooting the WSF in the social movements is a permanent challenge for us in Brazil, as we take part in the Fourth WSF in India and prepare the

Fifth WSF, which should be held in Porto Alegre in 2005.

The World Women's March (WWM) is the most important international feminist initiative with an anti-capitalist perspective. It seeks to link the struggle against social inequalities with the struggle against patriarchy and machismo. The WWM was formed in Brazil and a number of other countries as an alternative to the process of institutionalisation and loss of radical orientation. It sought to revive the idea of women's autonomous organisation and to develop the feminist struggle with a socialist perspective. The WWM has succeeded in working for a feminist intervention without recreating the dichotomy between general and specific struggles. In Brazil it has a powerful organisation that works alongside other movements and internationalist campaigns and, at the moment, is building a campaign around the minimum wage.

The designation of 2004 as International Year of the Struggle against Slavery is another opportunity to strengthen policies against racism, both in Brazil and internationally, in line with the III Conference against Racism in Durban, South Africa. The struggle for reparations gained greater recognition when it was taken up by the 2nd and 3rd WSFs in Porto Alegre. The black movement built up a mobilization that achieved the condemnation of slavery and racism as crimes against humanity. This should be taken further by linking up the anti-racist movements across the world.

Another central aspect of this convergence of social movements across the world is the participation of youth in movements led by youth. The holding of the International Youth Camps during the WSFs has made an important contribution to the growth of this participation and to the consolidation of a new internationalism. The mobilisations against the international financial institutions (WTO, IMF, World Bank) and against wars has advanced an anti-capitalist consciousness and given a new radical character to actions against the system. In Brazil, this internationalist and anti-capitalist understanding needs to be incorporated into the student and cultural movements, the movements of young feminists and for freedom of sexual orientation, and through their participation in the committees against the FTAA.

The International Social Movements Network is today the point of contact between the main militant movements of the world that play a leading part in the WSF process. The Continental Campaign Against the FTAA and the Continental Social Alliance focus on a key point of the international situation: the struggle to prevent approval of this treaty and seek alternative forms of integration based on the interests of the people. Via Campesina is the main co-ordination of rural movements against the domination of agribusiness multinationals and the backbone of the various processes of international mobilization against the WTO. The Co-ordination of Trade Union Centrals of the Southern Cone brings together the most important union movements of the region covered by Mercosur and has taken a series of initiatives aimed at defending the rights of the workers and peoples of the region in the application of this treaty.

We play an active part in these international initiatives, bringing back into the national arena the global dimension of the challenges and connecting our national struggles with the regional and international campaigns. This is the seed of a new internationalism that push forward struggles in the whole world and strengthen the popular initiatives of the Brazilian left.

5. Environmental policy

Social and environmental sustainability is indispensable for an approach to development with a socialist perspective. It should be a priority for the Lula government. The dispute over the government's direction must be based on a broad platform, of programmatic dispute in society and for a change in the course taken by the government. In saying this, we have to overcome limitations in understanding programmatic issues that have long proved their strategic importance for the struggle of the working class and the socialist left. We have to overcome the unrealistic tendency to build alternative models that do not take account of new issues posed by the world today, starting with the

imperative of environmental sustainability. In fact, without addressing this issue, no proposal for social change can be implemented in depth and permanently.

Thinking through sustainable development and democratically developing a vision of how to set the country on such a course, means, therefore, proposing new forms of production. These need to be combined with ecologically more efficient technologies and a new social and economic dynamic. The latter, unlike the current dynamic, needs to strengthen citizen participation and redistribute wealth and income, so that our natural resources can be used in a fair, egalitarian and ecologically appropriate way.

Among the policies the Lula government must adopt in order to move in this direction, we would emphasise the following:

- a) In agrarian reform, it needs to give greater importance to principles of agro-ecology or organic farming, to agricultural production that is suited to its particular environmental context, and to the adoption of the precautionary principle in relation to GMOs;
- b) In urban reform, the infrastructure for environmental sanitation;
- c) In energy policy, rationalise consumption, increase efficiency of generation, transmission and distribution and stimulate large-scale, competitive development of renewable sources that have less impact on the environment (biomass, solar and wind energy);
- d) In regional development, respect regional specificities and encourage urban decentralisation, directing population growth towards the country's small and medium-sized towns and cities;
- e) Fight against the privatisation of environmental goods, especially water and biodiversity.

6. Drawing up a national development project must necessarily take account of regional diversity. It must oppose the prevailing economic and social processes that, because of the production systems and social forces on which they are based, profoundly change the original character of diverse regions, especially Amazonia, and block alternative forms of development based on other systems of production and other social structures. We need to put forward a development project that recognises social, cultural, ethnic and ecological diversity and takes these as the starting point for different development processes - a development project that incorporates attempts to radically change the way the state operates contributes to this.

7. Defending a platform of struggle for a change of direction means building a series of campaigns within the PT and in the social movements. Some of these are already up and running - they need to be strengthened. Others need to be launched. These campaigns include: For a Brazil-wide Participatory Budget; For an economic policy that prioritises jobs, wages and a reduced working week without loss of pay; Against the FTAA, for the holding of an official referendum; For increased resources for agrarian reform; Against the legalisation of GM crops; For respect for human rights, for the rights of the indigenous nations; In defence of free, public, university education; For confronting the foreign debt, with an audit, a moratorium and renegotiation; For controls on capital movements; Against favoured treatment of the financial sector, for a renegotiation of the domestic debt.

V. Approach to Party Building and Perspectives for the PT

1. Winning election to the federal government opened a new stage in the PT's development. What is at stake is the

party's ability to live up to the hopes built up in struggles and in winning the Presidency of the Republic. Which is also to say the party's ability to live up to its own programme for transforming Brazilian society.

The first phase of the government raised a question mark over this strategic question that defines the PT's possibilities. In fact the choices made by the majority of the leadership have done great damage to the PT's historic gains. Faced with this, as we said before, we seek to develop alternatives that live up to the party's past and its present challenges.

2. Initial dynamics of the party and the government

The composition of the government was decided by the President and those around him, without any discussion by party bodies. Nonetheless the whole of the party was represented. At the same time it also included representatives of parties with opposing social interests.

After an initial debate in the party over the possibility that the economic policy was transitional, there followed a certain consolidation of this policy, which was widely questioned in the party, among government supporters, more generally in society and also within the government itself.

The approach to governing that has prevailed leads to conflict with the key bases of support, to alliances that are in contradiction with the government programme and to the absence of any overall process of democratisation with a republican and popular character.

On the other hand, there have been important changes, which are in line with the government programme, in foreign policy, in agrarian reform and in other areas.

This situation has produced a process of questioning and conflict within the party, among its parliamentary group, and in its social base. The relationship between party and government has led to a loss of the party's autonomy and the risk of it losing its programmatic identity. In fact, the PT has operated as a conveyor belt for decisions taken by the government, which are often contrary to the entire tradition of the party and its programme.

Another very negative process developing in the party is the extension of recruitment without any political criteria. Personalities have been brought into the PT who have no connection with socialism or any left tradition. This increases the party's loss of identity.

Important stands in favour of a change of direction by the government have been taken within the party; indeed, the main expressions of this kind have originated in the PT. Similarly, there is growing support for a defence of the party's programme and for it to function as an active, democratic party.

3. The question of programme

The national election campaigns that the PT organised in 1989, 1994, 1998 (to a lesser extent) and in 2002 were around a platform and a party programme for transforming Brazil. This programme was drawn up with more or less discussion in the party and adapted to different circumstances, but the idea of a programme is an important point of reference in the party.

For the 2002 campaign, the Guidelines approved at the XII National Meeting in December 2001 and the Programme approved in June 2002 constitute a limited but very important perspective, that outlines the party's view of its proposal for government. Taking this perspective as the starting point for discussion of the direction taken by the government is to reclaim the continuity of the PT's trajectory and the legitimacy of the positions adopted at party conferences.

4. The question of the party's vitality

The founding of the Workers' Party was a result of changes in Brazilian society in the sixties and seventies. The emergence of a new industrial proletariat combined with the convergence of activity by political and social militants who, coming from different traditions, sought to overcome the political abandonment to which decades of populism and Stalinist reformism had condemned the Brazilian working class. The building of the PT and its development over these last two decades has left a mark on the Brazilian Republic. It began to break with centuries of political exclusion of workers. Among large sections of society the demands and actions of the working classes gained legitimacy. The struggles for democratic freedoms advanced. The commitment to popular causes, the resistance to the neo-liberal decade, as well as the public policies carried out by our local governments gave the PT credibility as the main party of the popular classes in Brazil.

The narrowing political horizons of the majority of the party leadership, the increasing adaptation to bourgeois institutions as well as the effects of the new party statutes, should not hide the fact that the PT continues to be the strategic space in which to dispute the building of a popular, democratic, socialist alternative for Brazil. There is energy in the party - that is to say that the government (and the conditions in which it is governing) has not stifled the party's potential. The roots put down by the movement that has built the PT over the last 23 years run deep and spread across the working class and the people. The story of the building of the PT is a story of social, political and cultural disputes in Brazilian society, but it is also a story of internal disputes. There is plenty to indicate that this process continues, including the following factors:

- a) The history of the PT and the social classes and sectors that it seeks to represent and that regard themselves as represented by the PT;
- b) The fundamental weight of the Brazilian left within the PT;
- c) The PT's pluralism, its internal democracy and the right to tendency;
- d) The programmatic references developed throughout the party's history.

5. It is therefore not correct, when faced with the question of the party's capacity to live up to the hopes placed in it and to its own programme for changing Brazilian society, to adopt a position of all or nothing - as if the current leadership of the government and the party were a homogeneous expression of the movement as a whole, or as if it expressed the future of the movement. This would be to ignore the contradictions and shifting forces at play.

What we do need to do is pose the problems of the leadership of the movement as a whole. As well as criticising the present course, we need to put forward answers that can change this course. The disputes do not only touch our own camp, but society at large and even the camp of international forces.

6. Strategic questions of party building

It is necessary to locate the general problem in terms of the experience of a mass party and the election to government of this party. The dispute occurs within this process because it has to do with a decisive experience of the working class and because we are part of building that.

This experience has been going through moments of crisis. This will continue for a period whose duration we cannot now foresee. There are other key moments ahead, in relation to both the government and the party (the 2004 elections, re-election of the party leadership and party conferences in 2005).

Throughout the history of the PT we have developed an idea and a real practice of building a mass, democratic and socialist party. Understanding the depth of the current crisis should not distance us from the possibilities of overcoming this on the basis of the PT and the multiple conflicts in society. We need to look critically at what alternatives are emerging outside this framework. It is not the premature exit of little bits of the PT, joining up with PSTU, that would form an alternative. This would not have remotely the same significance as the PT when it was formed. Nor do we need purely electoral splits that abandon any project of building a socialist party.

We need to combine forces to intervene in the same direction, understanding that the process is conflictive and full of twists and turns - there will be no linear outcome. It is not enough to proclaim alternatives. What is at stake is the possibility for us to continue to struggle for a democratic, socialist party.

As a real alternative we argue for building a broad left current in the PT capable of maintaining this struggle, the most strategic of all. It also needs to be a current capable of making programmatic contributions and intervening in the central disputes underway, of addressing the whole of the social movement around the PT and the experience of government, and of disputing their strategic direction.

7. Democracy and programmatic unity

In a democratic, socialist party, the basis of party discipline is the programme and the decisions of congresses and meetings, with broad participation in the discussion. Decisions that are contrary to positions long defended by the party, or even to conference decisions, and that are imposed without discussion, have no legitimacy as a basis for demanding discipline.

As part of the necessary battle against the PT being turned into a transmission belt for government decisions it is vital to struggle to restore party procedures based on the programme and on internal democracy. In this sense it is important to keep up the opposition we have already mounted to the disciplinary measures being taken or proposed by the majority of the party leadership, and particularly to the threats of expulsion. We cannot consider legitimate the punishment of members of parliament who voted for positions long defended by the party, which the majority leadership changed with no broad or democratic debate.

On the other hand, with what we might call the inaugural phase of the government now over, the party needs to wake up to real political dispute in society, which is directly reflected in the government. There is no automatic link between being the main party in the government and having the actions of the government as a whole directed by the party programme.

8. What is the meaning of the dispute over the direction taken by the party?

The most general meaning is that we intervene in shaping the political consciousness of the broad sectors who are either members of the PT or who look to the PT, in a critical phase where everyone is discussing where it is going. We refer, in this sense, to the party and to the broad political and social movement around it.

On the other hand, we have to intervene by presenting an overall vision that is an alternative to that of the present leadership majority, whilst at the same time putting forward solutions to the problems faced. Taking part in this process from within, with an overall, alternative vision that also offers fresh leadership to the party, is what gives legitimacy to struggle to overcome the movement's own limitations.

This is at one and the same time a dispute addressed to the whole party and social and political movement around it,

and also a process of building and strengthening a current that works in this direction. This current seeks to grow in order to be better placed to change the direction of the movement as a whole, not to renounce it.

The dispute over the direction taken cannot be measured just by the results of internal votes, but above all by the development of more favourable conditions for putting forward left positions.

9. The dispute over direction whilst in government

The dispute over the PT is also the dispute over the direction taken by the government. Winning the federal government meant important changes in the party and our tendency. The decision to take part in the government gave greater leadership responsibilities in a situation of deepening dispute over the directions taken by both the party and the government. It allows the tendency to advance in its overall vision of the political and social process. The dispute over the direction of the government is related to, but also differs from, that taking at the level of the party. As can be seen, the former is a dispute in society, between interests and projects that are different or antagonistic. In this sense the social movements and their mobilisations make their presence felt directly and gain even more importance (than we had already understood is the case in the dispute over the direction of the PT). On the other hand, the process in the party is affected by the presence of party cadre in the government, especially from the majority current, who go back into the party seeking to make it merely rubber-stamp the government's positions, thereby reducing its autonomy. However, the policies of the party majority are being tested ever more rapidly, as in the case of their economic policy. There is a great acceleration in the tempo of the dispute over direction, and much greater overlap between the party space and the social struggles. Naturally, there is also greater politicisation of the movements and of broad layers of the better-informed sectors of society. If it is clear that the dispute over the direction of our political movement cannot be understood in a piecemeal or routine way, then it is important to understand that the party continues to be the space in which this dispute finds its most global expression. This is not only because both the government and the movements are under pressure from more immediate questions - they too have to grapple with broader agenda and present longer-term proposals. The main reason is that the PT, in the broad sense, brings together the most important expressions of the Brazilian left. It is this broad array of forces, the result of more than twenty years of democratic and social struggles, with the PT as its central reference point, which is today debating the course of our movement as a whole.

This situation could develop in one of several directions, but whichever way it goes will be rooted in a process of political and ideological dispute. The best perspective to guide our intervention in this situation is that of struggling to rebuild the PT as a socialist party. It is also the one that best fits the new political situation. We are not in a defensive situation, we are in one of growing conflicts.

10. The relevance of a democratic and socialist party

Building the PT as socialist and democratic party was the strategic element that allowed the left to grow in Brazil. We should struggle to rebuild and develop this project. Its weakening or its absence would risk fragmenting the left, either through its integration into the governmental apparatus, or through electoralism without any strategic party, or through sectarianism - it would open the way to other retreats in the political and social struggles.

We believe it remains relevant to fight for the positive values of the PT's history (programmatic contribution, right of tendency and internal democracy, feminist gains, synthesis of left experiences and forces). In this context it is also necessary to re-forge the links between the party organisation and the broad social and political movement around the PT.

We aim to intervene in the disputes over the direction of the party with the legitimacy of defending that historic and strategic project of a democratic and socialist party. Given the conflictive development of the party, it is all the more necessary to build a big left current as a pole of reference for the rebuilding and functioning of the PT as a

Political Resolution of the DS Brazil

democratic and socialist party. The building of this current and the struggle for the socialist rebuilding of the PT represent an alternative both to accepting the pressures to adapt to programmatic distortion and to seeking solutions in a sectarian party project - both of these would be to give up the experience of building a mass, democratic, socialist party.

Sao Paulo. 23rd November 2003