

Operation Old Jail: A Blow to Temer's Party in Rio de Janeiro

*By Luiz Matheus, Guest Scholar of the Council on Hemispheric Affairs**

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** Luiz Matheus is the pseudonym of an established Rio de Janeiro journalist. In this article, he exposes how the internal battle within the ruling national PMDB party is upturning decades of corruption within the Rio de Janeiro state government, adding another chapter on how privatizing public services around the World always results in less efficient services and increased corruption. Furthermore, as he shows in this article, unusual factors make Rio de Janeiro a unique case in the Brazilian sociopolitical context and not a place that should be used to make sweeping generalizations about the country, something that most anglophone journalists do not seem to understand.ⁱ*

Tuesday, November 14. In the most spectacular operation of the year conducted in Rio de Janeiro State, the Federal Police try to close the net on a long standing corruption scheme involving politicians and bus company owners. Operation Cadeia Velha, a spillover from the Rio de Janeiro *Lava Jato* investigation, undercovers bribes paid by transportation barons to state congressmen in exchange for approval of laws that favor their business operations, such as tax breaks and fare increases.ⁱⁱ The public prosecutor's request the imprisonment of the President of the State Congress (ALERJ), Jorge Picciani, and state congressmen Paulo Melo and Edson Albertassi.ⁱⁱⁱ All are from the President Temer's *Partido do Movimento Democrático do Brasil* (Brazilian Democratic Movement Party/PMDB), which has maintained power in Rio de Janeiro state for nearly 20 years.

Friday afternoon, November 17. The court orders imprisonment of the three PMDB state congressmen accused of associating with criminals, money laundering and tax evasion, but submits judgment to the Rio de Janeiro State Legislative Assembly (ALERJ).^{iv} In a special session, the state congress decides to free the legislators.^v In total, 39 state congressmen vote to release their colleagues. A few hours later, the three suspects leave jail and return home.

ALERJ's decision to revoke the prison sentences against its congressmen was expected. Picciani, Albertassi and Paulo Melo, allies of governor Luiz Fernando Pezão, relied on a governmental majority in the State Congress. The center of

political power has been concentrated in the Rio de Janeiro state legislature for decades. Governors come and go, but the cronyist parliamentary majority remains.

However, for the first time, the old political class in Rio is confronting an unedited judicial attack against corruption which began with the *Lava Jato* operation. Ad to the context of the grave financial crisis in Rio, with an estimated deficit of R\$20.3 Billion for 2018, and the austerity measures imposed by the Federal and State governments, approved with majority vote in the State legislature.^{vi} The result is a multitude of public sector workers in revolt, not only about their late salaries and pension payments, but against the audacity of the local authorities who are involved in fat corruption schemes.

In this scenario we need to ask how the State of Rio, which little over a year ago was once again the tourist center of Brazil and the World as it hosted the Olympic Games, now sees its most powerful congressmen in the crime news, while the population suffers from poor public services and violence. What are the origins of this political crisis?

Carioca Cronyism

Any anti-corruption investigation implemented in Rio de Janeiro has to deal with the reality of historically consolidated power and be willing to challenge the regional political dynamic and the exchange of interests and channels of control between the legislative assembly and the governor's palace. Political parties of different stripes alternate in the executive branch, but are forced to build alliances to create parliamentary majorities. The Governor's pen always ends up subjected to the behavior of the groups represented in the state Congress.

This network of exchanging favors between the legislative and executive branches in Rio constitutes the base of a political phenomenon that historians call *chaguismo*. The expression comes from Governor Chagas Freitas, who ran the state during the end of the Military Dictatorship (1979-1983) and refers to the cronyist and paternalistic practices of that administration that have remained ingrained in the political dynamic to the current day.

Chagas Freitas was known for his direct personal relationship with the electorate and business sector, becoming the creditor of political loyalties. For the political scientist João Batista Demasceno, the main problem with chaguismo is the heirarchicalization of political relationships in accordance with bargaining price: "There is no governmental program in a cronyist system, nor is there citizenship or the right to exercise public power. Rights are converted into a means of exchange."

With the decline of the military dictatorship and the first direct elections for state governments in 1982, the people of Rio elected their first leftist governor, the nationalistic former political exile Leonel Brizola. Despite having a large base in the legislative assembly, Brizola knew that he needed the political clout from governor Chagas Freitas' cronies, made up at the time of 16 PMDB State Congressmen.^{vii} Subsequently it became clear that the deal made between

Freitas and the Congress, included in this game of PMDB interest, would perpetuate and form a powerful network of corruption and influence-trafficking.

“PALERJ”: the national power of Rio’s State Legislature

In practice, the power network inside of the Rio de Janeiro state legislature formed that which philosopher Renato Janine Ribeiro ironically nicknamed “PALERJ” or “The ALERJ Party”.^{viii} Independently of each congressman’s political party, all integrate the same corrupt physiological voting block in defense of their colleagues’ interests. It is as if the legislative branch is eternally controlled by a great center, without any commitment to any regional development project of the left or right. Its main project is the micro-politics of meeting the pressures of corporate groups such as the business community and the judiciary.

Ribeiro also emphasizes that Brasil is marked by a history of concentration of power in the federal government, making it so that the states have little autonomy with the country increasingly “less federalist and more unified”.^{ix} In this manner, the state legislative assemblies have less issues to regulate under the law than the national Congress or the city councils, As Ribeiro says, “the federal Congress legislates on practically all issues. The city councils decide on the master development plans and can regulate anything that affects daily life. There is little left for the state congressmen.”

However, for the philosopher, the Rio legislative assembly is an exception: the assembly, with a large presence of the population, holds events and has an acronym known by all the residents of the city- ALERJ. “In the rest of the Brazilian states, the abbreviations of the respective parliaments are only known by insiders; but in Rio, everyone knows what it is,” says Ribeiro.

Furthermore, Rio de Janeiro has another peculiarity: since it is the ex-national capital, state congressmen show little concern with local problems. “The serious politicians in other states think about regional questions. In Rio, the politicians only think about national issues,” says economist Mauro Osório, coordinator of the Observatory of Rio de Janeiro Studies.^x This mixture between the absence of a role and the mania of grandeur has characterized the army of PALERJ, with clear hegemony from the PMDB, during the last several decades.^{xi}

The Imprisonment of Cabral: The first blow against the PMDB

One of the main architects of this cronyist model left the ranks of parliament to occupy the head of the executive branch. From PALERJ, arose the ex-governor from the PMDB party, Sergio Cabral (2006-2014), who governed the state of Rio during the economic boom in Brasil of the last decade and helped bring the 2016 Olympics to the state capital.^{xii} During the 1990s, as a state congressman, Cabral occupied the presidency of ALERJ and used his influence to approve projects that privatized public patrimony during the salad years of Brazilian neoliberalism.

During his government, billion-dollar projects were launched like a new metro line, a ring highway and reformation of Maracana stadium for the 2014 World Cup. As the *Lava Jato* investigations uncovered years later, all of these projects involved charging bribes on the part of the governor and his cronies. Cabral led a criminal organization that embezzled R\$224 million in infrastructure and building contracts with the State Government. In November 2016, the ex-governor, out of public office and no longer protected by executive privilege, was arrested and accused of passive corruption and money laundering.

The arrest of the ex-governor and subsequent sentence of 72 years in prison represented an unprecedented blow to the pillars of PMDB power in Rio.^{xiii} Despite this, its principal allies in the executive and legislative branch are trying to maintain the party's political power within the institutions. In this context, the current president of ALERJ, Jorge Picciani, is a fundamental actor for party hegemony.^{xiv}

A rancher with huge investments in cattle reproduction, Picciani became one of the main political representatives of the PMDB in Brasil. He is the father of fellow state congressman Rafael Picciani and of the Temer government's Federal Sports Minister, Leonardo Picciani. In the legislative context of Rio, it is Jorge Picciani who oversees relations with varied institutions and guarantees the deals that maintain control of an intra-party base that complicates the emergence of any opposition.

Within Rio's PMDB-controlled political and administrative system, Picciani is one of the bosses of the alliance between the public sector and businessmen who make a fortune from State contracts. In addition to the big construction companies, the most symbolic example of this relationship is the Federation of Passenger Transport Businesses of the State of Rio de Janeiro (Fetranspor), made up of 10 private bus companies contracted by the government to provide public transportation that are known for giving terrible service to the population.^{xv} Their expensive fares caused the unprecedented wave of protests for lower fares and better service which had repercussions across Brazil in June 2013.^{xvi}

In the specific case of Rio, it is a notorious fact that Fetranspor, run by the businessman Jacob Barata Filho- known as the "King of the Bus"- has always maintained a promiscuous relationship with State authorities. The notorious Fetranspor slush fund, made from bribes paid to concessionaires and politicians in exchange for things like unjustifiable fare hikes, was finally revealed in the Operação Ponto Final investigation, during which a Federal Police Task force temporarily arrested Barata Filho and other businessmen.^{xvii}

The operation showed that the transport companies paid more than R\$260 Million in bribes to public officials. Fetranspor was exposed as a "parallel bank" which operated free of public control to deposit bribes and used armored cars to deliver money. The Federal Police action against the "transport mafia" led to the hard blow against the PMDB's tentacles of power: *Cadeia Velha*.

The imprisoned (and released) PMDB leadership

The PMDB's political hegemony sees itself under threat for the first time in decades. Governor Luiz Fernando Pezão- Sergio Cabral's ex-vice governor who was elected as his successor in 2014- faced the sharp fall in the price of petroleum on the international market, which caused the state to lose around R\$1 Billion in royalties.^{xviii} National disindustrialization also caused Rio to be more proportionately effected than the rest of the county, leading to a situation in which the state revenue was not compatible with expenditures.^{xix}

The international risk agency Standard & Poor lowered Rio to the position of worst state in Brazil for investment.^{xx} On the eve of the 2016 Olympics, the governor decreed a state of public calamity,alleging incapacity to meet its financial obligations.^{xxi} Massive public worker protests from areas like the education, health and the justice department were met with tear gas bombs and pepper spray.^{xxii}

In order to balance the budget, Governor Pezão proposed a package of radical austerity measures, including an increase in payroll pension deductions from 11% to 14%, cuts in social programs and freezing salaries until 2020.^{xxiii} He also signed a Fiscal Recovery Plan with the Temer government, aiming for the suspension of payment of Rio's debt of R\$29,6 Billion to the Federal Government for three years and new loans of R\$3.5 billion.^{xxiv} In exchange for this, Rio will have to privatize CEDAE, the state water and sewage company, going against the current trend of cities around the world which are disappropriating private water companies and returning them to the public sector.^{xxv}

This chaotic context has made the PMDB lose the little political legitimacy it had left with the population. In the state capital and largest city Rio de Janeiro, Pezão has a miserable 3% approval rating.^{xxvi} This change in the power relationship explains the deepening of State's Attorney and Federal Police investigations into corruption. The investment against Rio's political class and it's corrupt relationship with the private sector will have a "hygienic effect".

Months after the Federal Police promoted an operation in the State Auditing Court where five of its six councilors were arrested for corruption, Governor Pezão nominated his leader of the government coalition in the ALERJ, state congressman Edson Albertassi, to become the new Auditing Court president.^{xxvii} According to the state constitution, the Governor should nominate a career auditor for the Auditing Court, and not a political ally with no experience in the matter.

This scandalous political nomination was a sign for the Federal Police to act. They started the *Cadeia Velha* operation, which revealed the use of the presidency of the legislative assembly for practicing corruption, criminal associations, money laundering and tax evasion. The investigators requested the imprisonment of Edson Albertassi, the ex-president of the ALERJ, state congressman Paulo Melo and the all-powerful current ALERJ president, Jorge Picciani, along with another 10 people.

The state congressmen are accused of receiving monthly bribes from Fetranspor to approve projects favorable to the bus company owners. According to the public prosecutor's office, between 2010 and 2015, R\$58 Million was paid to Picciani and R\$54 million was paid to Paulo Melo.^{xxviii} Albertassi received R\$60 million as of May 2017.^{xxix} Exclusive details of the investigation were revealed through plea bargains made by the ex-president of Fetranspor, Marcelo Traça.

Two days later, federal judges from the second regional court, unanimously requested the preventative imprisonment of Jorge Picciani, Paulo Melo and Albertassi.^{xxx} "These people, unfortunately, have to be removed from community interaction", said Judge Azulay Neto. The court, however, had to issue its judgment over a territory in which the accused have total domination, ALERJ, which has to authorize their imprisonment.

In a special, closed door session, marked by police repression of the public service workers protesting outside, the state congressmen freed Picciani, Paulo Melo and Albertassi, alleging that the Constitution only allows the imprisonment of congressmen in cases where they are caught in the act of non-bailable offenses. The opposition, made up of left parties such as PT and PSOL, was defeated by a wide margin of 39-18 votes.^{xxxi}

One more time it became clear that the Rio de Janeiro legislative assembly continues to operate according to a dynamic corporatism, based on the political phenomenon of *chaguismo*, and that it maintains a cronyist network as a mark of its power. The logic of the ALERJ Party, even while confronting unedited police actions against its leadership and immanent social revolt, maintains its deep roots in the political culture of Rio de Janeiro.

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Featured image:

http://agenciabrasil.ebc.com.br/sites/_agenciabrasil2013/files/votacao_alerj.jpg

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