The End of Lulism and the Palace Coup in Brazil

written by Ruy Braga | October 20, 2016

In general, analyses of Brazil's current political and economic crisis emphasize the economic policy "errors" of the government, inherited by President Dilma Rousseff of the Workers' Party (PT) from her predecessor, Luíz Inácio Lula da Silva. While it is true that certain federal policy decisions have interfered with the dynamics of the Brazilian distributive conflict, this focus on political regulation is far too narrow to illuminate the complexity of the current crisis. These explanations tend to obscure the changes in class structure that took place during the Lula era (2002-2010), and to overlook the impact of the international economic crisis. Indeed, such analyses fail to explain how the relationship between political regulation and economic accumulation not only failed to pacify class conflict but radicalized it.

Strike Cycles

In the world of work, the collapse of any armistice between subordinate and dominant classes often comes in the form of a strike wave. According to the latest data from the Strike Tracking System of the Inter-Union Department of Statistics and Socioeconomic Studies (SAG-DIEESE), Brazilian workers staged an historically-unprecedented strike wave in 2013, totaling 2,050 strikes – a 134% increase over the previous year, setting a historical record. Thus, the country reversed the steep decline in strikes during the previous two decades and the trade union movement regained at least a part of its political momentum. In several capital cities, bank workers' strikes have become routine. Teachers, civil servants, steelworkers, construction workers, bus and train drivers and fare collectors also increased their union mobilization between 2013 and 2015. Equally, strikes by private sector workers have increased significantly since 2012.

In 2013, private sector strikes represented 54% of the total. Here, it is especially worth noting an explosion of job actions in the service sector involving unskilled or semi-skilled workers – many of whom are outsourced and underpaid, subject to precarious work contracts and lacking conventional labor rights. In addition to eight national strikes by bank employees, workers in tourism, cleaning, private health, safety, education and communication were especially active, as were transport workers.

In general, union activity expanded outside the categories of employees who have traditionally been seen as central to labor militancy. Even in the public sector, strike activity rose among municipal

workers, who tend to be among the more precarious workers in public administration. Overall, in both private and public spheres, strike activity moved from the "center to the periphery" of the union movement, involving increased mobilization by an urban precariat.

Given the magnitude of this strike cycle, perhaps this is the most underestimated explanation for the current political crisis: the ruling classes simply do not need a union bureaucracy that has proven itself unable to control its rank and file. From this perspective, the only credible ruling class project would involve the restoration of capitalist accumulation, by deepening social dispossession through attacks on workers' rights.

The current strike cycle and the vicissitudes faced by Brazil's subaltern classes in their precarious way of life both reveal the limits and ambiguities inherent in the Lulista project. To understand the contradictions of this project involves analyzing the limits of the PT's precarious hegemony over the past thirteen years.

Precarious Hegemony

Understood as a *mode of regulation* of class conflict, Lulism as a hegemonic social relation was based on the articulation of two different, but complementary, forms of consent, which together produced a decade of relative social peace in the country. Brazil's subaltern classes gave *passive* consent to a government project led by the trade union bureaucracy, which ensured modest but effective concessions to workers – for the duration of a period of economic expansion.

The *semi-rural subproletariat* benefited from the *Bolsa Família* Program (Family Fund), rising from extreme poverty to the official poverty line. The urban precariat was also seduced by minimum wage increases beyond the rate of inflation, as well as formalization of the labor market and employment creation. Workers who belonged to unions benefited from a booming labor market, achieving new pay and benefits gains through collective bargaining.[1]

At least until the 2014 presidential election, the PT combined redistributive policies, formal job creation and popular access to credit, promoting a slight deconcentration of national income distribution. In a country famous for social inequalities, this small advance was enough to secure the consent of subaltern classes to the politics of Lulista regulation.

At the same time, the PT government managed to combine the interests of trade union bureaucrats, leaders of social movements and an intellectualized middle class, creating the foundation for an*active consent* to Lulism organized around the state apparatus. Thousands of union members were absorbed into parliamentary advisory functions, positions in ministries and in state companies; some trade union bureaucrats assumed strategic positions on the boards of large pension funds, managed by the state as investment funds. PT members and supporters were also nominated to management positions in the three main national banks: the National Development Bank (BNDES), the Bank of Brazil and the *Caixa Econômica Federal*.

Thus, Lulista unionism has become not only an active administrator of the bourgeois state, but a key actor in directing capitalist investment in the country. Since this political-administrative power does not involve private ownership of capital, the privileged social position of the trade union bureaucracy depended on control of the political apparatus. And to reproduce this control, both the interests of its historic allies – the middle levels of the bureaucracy and the small intellectualized bourgeoisie – and its historic enemies – hostile bureaucratic layers and sectarian groups with corporatist interests – must be accommodated within the state apparatus.

Although this strategy was complicated by the PT government's acceptance of the anti-democratic

rules of the Brazilian electoral game – including an effort during the first Lula government to directly purchase parliamentary support – by 2014, Lulista hegemony had achieved notable success in reproducing both the *passive consent* of the masses and the *active consent* of union and social movement leaders.

The Contradictions of Lulism

Nevertheless, social contradictions were already evident during the economic expansion between 2003 and 2014, foreshadowing the current crisis. Despite an impressive increase in formal wage work, about 94% of the jobs created during the PT's first decade in power paid only 1.5 minimum monthly wages (roughly about $US 250 per month) or less. By 2014, as the economy slowed, about 97.5% of new jobs were in this category, and were occupied mostly by women, young people and blacks – that is, by workers who have traditionally earned less and are more discriminated against.

At the same time, year after year, the number of accidents and deaths at work increased, as did rates of job turnover, with both patterns clearly indicating some deterioration in the quality of work. A deepening economic crisis and a shift towards a policy of austerity during the second government of Dilma Rousseff, installed in 2014, strengthened these regressive tendencies, prompting unionized workers to take strike action.

Although it was already beginning to falter, support from the precarious proletariat ensured Dilma Rousseff's victory in the second round of the 2014 presidential election; but this support assumed the PT government would maintain formal (albeit low-quality and poorly-paid) employment. But the cyclical contraction driven by federal spending cuts has led to increased unemployment among both the urban precariat and the organized working class: according to the latest research, Brazil's unemployment rate rose from 7.9% to 10.2% in the last twelve months.

On the other hand, the traditional middle class has evolved towards a markedly right-wing economic agenda and politics – including those who had been allied with the PT and the main trade union federation, CUT, at least until the 2005 bribes-for-votes scandal known as the "Mensalão." It is not hard to imagine why. Progress in the formalization of employment among domestic workers led to higher salaries for maids, while the heated labor market boosted the cost of services in general – with immediate impact on middle-class lifestyles. And the increase in mass consumption linked to higher wages for Brazil's poorer households meant that workers "invaded" spaces previously reserved for the traditional middle classes, such as shopping malls and airports.

Finally, increasing vacancies in low-quality private universities for the children of workers increased the competition for jobs previously available only to the children of the middle class. When the "Petrolão" scandal, linked to kickbacks and money laundering in the state petroleum company Petrobras, broke into the open, middle class dissatisfaction exploded into a huge wave of protest, driven by a reactionary political agenda.

Thus the collapse of the Rousseff government's support in Congress is only the most visible face of an organic crisis whose roots lie in the social structure of a country mired in a deep recession. Based on the creation of precarious jobs and the deconcentration of income distribution, Brazil's development model is no longer able to guarantee corporate profits, let alone attract the consent of subaltern classes.

The Palace Coup

Faced with a worsening international crisis, the main representatives of Brazilian business, led by private banks, began to demand that the federal government deepen austerity. For large companies,

policies that would deepen the recessionary adjustment, increase unemployment and contain the current strike cycle seem a necessary step toward enacting a series of unpopular reforms, such as cuts to social security and labor rights.

This project has been fed by the current PT government's retreat. The fiscal adjustment applied at the beginning of Dilma's second mandate betrayed the expectations of 53 million voters who had been seduced by her campaign promises to maintain jobs, social programs and labor rights. The resulting unpopularity of the second Rousseff government was then further fueled by the middle class discontent over the reduction of inequalities between social classes. When Operation *Lava Jato* of the Federal Police decided to focus exclusively on PT politicians involved in Petrobras' corruption schemes, Brazilians took to the streets demanding that the government fall.

This mobilization prompted the political parties which had been defeated in 2014 to embark on the impeachment process. Negotiations between the Party of Brazilian Social Democracy (PSDB) and the Brazilian Democratic Movement Party (PMDB) intensified, converging on the latter's political manifesto "A bridge to the future" – essentially, a promise to ensure the payment of the public debt to the banks at the expense of spending on education, health and social programs.

Most significantly, conservative political forces took to overthrowing Brazil's government not because of what Rousseff gave to the popular sectors, but because of what she failed to deliver to entrepreneurs: an even more radical fiscal adjustment, which would have required changing the Constitution, reforming social security and withdrawing key labor protections. Yet on the other side, the trade unions, mostly controlled by PT, are still engaged in a historic strike cycle.

Thus Brazil is currently in a position of deadlock: the coup has encountered strong popular resistance which promises to intensify, even as regressive measures undertaken by an illegitimate government are adopted by Congress, and a period of unprecedented social struggles seems inevitable.

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[1] On the activities of these three fractions of the Brazilian subaltern classes in the last decade see: André Singer, *Os sentidos do lulismo: reforma gradual e pacto conservador* (São Paulo, Companhia das Letras, 2012); Ruy Braga, *A política do precariado*: *do populismo à hegemonia lulista* (São Paulo: Boitempo, 2012); and Roberto Véras de Oliveira, Maria Aparecida Bridi and Marcos Ferraz, *O sindicalismo na Era Lula: paradoxos, perspectivas e olhares* (Belo Horizonte, Fino Traço, 2014).