

MASS PROTESTS: BRAZILIAN SPRING OR BRAZILIAN MALAISE?

ALFREDO SAAD-FILHO AND LECIO MORAIS

Vast demonstrations erupted in Brazil in early June 2013, seemingly from nowhere, demanding free transport, improvements in public services, the reform of a dysfunctional and corrupt political system, and much more. The federal government, led since 2003 by the left-wing Workers' Party (*Partido dos Trabalhadores*, PT), was stunned. The right-wing opposition vanished in the *mêlée*, while the TV showed, night after night, masses of young people pouring into the streets, most of them marching for the first time. For a few days, it seemed that a revolutionary situation might emerge, leaderless, perhaps, but fully formed in the womb of the masses. Then strange things began to happen.

The right-wing TV and most newspapers stopped attacking the demonstrations and, effectively, started supporting them. Popular approval for the government tumbled. White, articulate and economically privileged demonstrators seemed to be everywhere. The demonstrations became displays of individual creativity, including hundreds of carefully drawn home-made placards with original slogans. And each 'demonstration' was found to include several independent marches, which may or may not meet at some point.

Then the movement took a slightly sinister turn. At the margins of large concentrations, small groups of people regularly went on the rampage. The police sometimes attacked the demonstrations, and sometimes disappeared from view. Bands of muscular men with cropped hair, wrapped in the national flag, beat up people with a red T-shirt or waving a red flag. There were calls for the impeachment of President Dilma Rousseff, and for a military coup. Finally, unknown persons launched, on Facebook and Youtube, a call for a general strike on 1 July, but they did not think it useful to issue specific demands.

The left parties, trade unions and social movements rapidly realized that

something was amiss. Seventy-six organizations met in São Paulo on 21 June, issued a list of demands, drafted a letter to President Dilma Rousseff, and agreed on a national day of mobilizations on 11 July around issues of immediate interest to the working class. The federal government called a political meeting in Brasília to propose a ‘national pact’, and the left withdrew from the streets. The demonstrations deflated in a matter of days, except for a small number of trade union movements and marginal events which rarely involved more than a few dozen people. There was no more talk of coups, and nothing happened on 1 July. In the meantime, the media continued to harass the government.

This essay offers a political economy interpretation of the context, origins, implications and challenges posed by the ‘Events of June’ to the Brazilian left, in the light of the achievements and limitations of the federal administrations led by Luiz Inácio Lula da Silva (2003–10) and Dilma Rousseff (2011–present). The argument is developed in six substantive sections. The first three review the Lula and Dilma administrations. The fourth describes the Events of June, and the fifth examines the lessons for the left. The sixth section draws the relevant conclusions.

THE FIRST LULA ADMINISTRATION

Lula was elected president in 2002 by an ‘alliance of losers’: a coalition of heterogeneous social groups that had in common only the experience of losses under neoliberalism.¹ These groups included the organized working class, the domestic bourgeoisie, large sections of the traditional oligarchy and sections of the middle class and the informal proletariat.² This collection of disparate supporters had few objectives in common beyond more expansionary macroeconomic policies and some redistribution of income, and it could not be relied upon to support radical policies leading, for example, to a break with neoliberalism. In this sense, the common complaint among the left that Lula ‘betrayed’ his supporters is misplaced: in 2002, Lula neither sought nor received a mandate to introduce radical policy changes. In order to bring together the ‘losers’ and avoid a fourth consecutive defeat in the presidential elections, Lula’s discourse emphasized a diffuse spirit of ‘change’, but he studiously avoided making any specific commitments. The only exception is Lula’s ‘Letter to the Brazilian People’, issued under duress, in June, in the midst of a severe currency crisis. In this document, Lula declared that his government would respect contracts (i.e., service the domestic and foreign debts on schedule) and implement the agreement recently signed with the IMF.

Lula’s administration maintained the macroeconomic policy ‘tripod’

introduced in 1999 by his predecessor, the Marxist sociologist turned neoliberal Fernando Henrique Cardoso: inflation targeting, floating exchange rates and fiscal restraint. In order to secure his credibility with 'the markets', Lula appointed a prominent member of Cardoso's right-wing social democratic party (*Partido da Social Democracia Brasileira*, PSDB) president of the country's independent Central Bank, with *carte blanche* to raise interest rates to the level required to secure low inflation. The Executive also raised the primary fiscal surplus target from 3.75 per cent of GDP to 4.25 per cent, and cut fiscal spending by almost 1 per cent of GDP. The minimum wage was virtually frozen for two years, and the government pushed through Congress a harsh reform of social security that had eluded Cardoso for years, partly because of the opposition from the PT and its allies.³

The conservative credentials of Lula's economic policies were tempered, first, by a significant expansion of the federal programmes of social assistance. In late 2003, the government consolidated four existing programmes into the *Bolsa Família* which, initially, reached 3.6 million households. The programme was scaled up rapidly, reaching 11 million families in 2006 and 13 million today, with 50 million beneficiaries (one-quarter of the country's population). Federal social spending (health, social security and income transfers) was equivalent to 13 per cent of GDP in the 1990s; in the late 2000s, it reached 23 per cent of GDP.

Second, the Lula administration appointed a large number of progressive political, trade union and NGO cadres to the federal administration, not always from the trade union arm of the PT:⁴ the president, a former metalworker, appointed five working-class cadres to ministerial-level posts; more than 100 trade unionists took other high-level posts in the public administration and in state-owned enterprises (SOEs); in turn, they appointed hundreds of lower-level colleagues.⁵ Their elevation opened the floodgates to the election of an unprecedented number of poor candidates by parties across the political spectrum to all manner of posts since 2004. While these changes aligned the material interests of the leaders of many social movements (with the exception of the landless peasants' movement, *Movimento dos Trabalhadores Rurais Sem Terra*, MST) with the government's agenda and the interests of the state bureaucracy and effectively 'nationalized' them, they also changed the social composition of the Brazilian state. For the first time, poor citizens could recognize themselves in the bureaucracy and relate to friends and comrades who had become 'important' in Brasília. This change in the social composition greatly increased the legitimacy of the state, and it supported from inside the government's distributive policy agenda.

In mid-2005, Lula's first administration was paralysed by a furious right-

wing and media offensive triggered by the *mensalão* corruption scandal, involving allegations that government officials paid deputies and senators a monthly stipend in exchange for votes. The *mensalão* led to the resignation of the President's Chief of Staff, the president of the PT, and several high-ranking federal officials.⁶

The scandal triggered a catastrophic loss of support for the PT. After 25 years of growth, the PT had reached 25 per cent of voter preferences in early 2005; after the *mensalão*, these rates fell by half, and Lula's bid for re-election seemed close to collapse.⁷ Yet, Lula's share of first-round votes reached 49 per cent in October 2006 (up from 46 per cent, in 2002), and he maintained his second-round share at 61 per cent.

This surprising feat was due to the dissolution of the 'loser's alliance' and the transformation of Lula's base of support: he lost the middle class after the *mensalão*, but conquered the unorganized poor because of the distributive programmes introduced in his first administration: *Bolsa Família*, university admissions quotas, the formalization of the labour market, mass connections to the electricity grid (the Light for All programme, or *Luz Para Todos*), and a 48 per cent real increase in minimum wages since mid-2005, which triggered automatic increases to most pensions and benefits.

For the first time, support for the PT became inversely correlated with income.⁸ In households earning more than 10 times the minimum wage (roughly, the 'middle class'), PT support fell from 32 per cent in 2002, to 17 per cent in 2006. Lula's rejection among voters with university education jumped from 24 per cent to 40 per cent between August and October 2005; 65 per cent of these voters chose the opposition candidate in 2006. In 1997, the PT had 5.5 million 'high income' and 3.1 million 'low income' supporters, and only 17 per cent of PT supporters earned less than 2 times the minimum wage. In 2006, the PT had only 3.3 million 'high income' supporters but 17.6 million 'low income' ones, and 47 per cent of its supporters earned less than twice the minimum wage.⁹

Lula won in 2006 because of his massive majority among first time voters, beneficiaries of transfer programmes, poor women (the main recipients of *Bolsa Família*) and low earners. Correspondingly, Lula lost in most rich states, but he received more than three-quarters of the votes in several poor states. In contrast, the PT elected only 83 Federal Deputies in 2006 (down from 91 in 2002), showing that the support of the poor was tightly focused on the President.¹⁰ Voting patterns between 1982 (just after the PT was founded) and 2006 suggest that the Brazilian poor traditionally voted for the right, and they shifted to Lula only *after* he had been elected by other social groups, and had delivered to the poor higher incomes, benefits and considerable

improvements to their living conditions.

The transformation in Lula's base of support was part of a structural realignment of Brazilian politics. On the side of the government, we now find the domestic bourgeoisie, the organized working class and the informal proletariat.¹¹ The opposition is based on the alliance between the neoliberal bourgeoisie and the middle class, bound together by a rabid mainstream media.

THE SECOND LULA ADMINISTRATION

In Lula's second administration, a number of elements of neo-developmental economic heterodoxy diluted the neoliberal policy 'tripod'.¹² This policy inflection, and the favourable global economic environment in the mid-2000s, led to a marked uplift in macroeconomic performance and in employment creation, and supported an unprecedented reduction of inequality in the country.

Brazil's growth surge was driven by consumption and state-led investment. Let us start from the latter. The fiscal and financial stresses experienced after the international debt crisis, in the early 1980s, and during the neoliberal transition, in the 1990s, followed by successive rounds of public spending cuts in order to stabilize the debt/GDP ratio led to a severe degradation of the country's infrastructure. In order to release funds for investment without overtly confronting the neoliberal lobby, the second Lula administration changed the form of calculation of the primary surplus in order to exclude the state-owned enterprises (SOEs, especially the oil and electricity companies, Petrobras and Eletrobrás). This allowed SOE investment to quadruple in nominal terms, rising from 1.8 per cent of GDP in the mid-2000s, to 2.2 per cent of GDP in 2010.

This investment spree was supplemented by private investment, mostly directly funded or, at least, guaranteed by the state-owned banks (especially BNDES, which became the largest development bank in the world). The government also launched a 'growth acceleration programme' (PAC) in early 2007, focusing on energy, transport and infrastructure. This was followed by a large housing programme ('My Home My Life', or *Minha Casa Minha Vida*), increased funding for education, health and other public services, and the expansion of the civil service, together with significant pay increases, in order to recover policy-making capacity and reduce the number of subcontracted workers in the state sector. The government also supported diplomatically and through BNDES the transnationalization of selected domestic firms ('national champions'). They include Itaú and Bradesco (banking), Embraer (aviation), Odebrecht (construction), Vale

(mining), Inbev (beverages), Gerdau (steel) and Friboi and Brazil Foods (processed foods).¹³

In turn, consumption rose because of the rapid rise in the minimum wage, the increase in federal transfers to pensioners, the unemployed and the disabled from R\$135 billion to R\$305 billion between 2002 and 2009, and the quadrupling of personal credit, which rose from 24 per cent of GDP to 45 per cent, while mortgage lending expanded from R\$26 billion in 2004 to R\$80 billion in 2009.¹⁴

Despite these aggressive spending initiatives, the fiscal deficit remained stable and the domestic public debt declined from 55 per cent of GDP, in mid-2002, to 40 per cent in 2010, because of the rapid growth of GDP, the increase in fiscal revenues due to economic growth and the programme of formalization of the labour market, which brought in new social security contributions. The average rate of growth of real per capita GDP rose from 0.75 per cent per annum between 1995-2002, in the Cardoso administration, to 2.4 per cent between 2003-06, and to 3.5 per cent between 2007-10, in Lula's second administration, despite the adverse impact of the global crisis.

The pattern of growth under Lula was unquestionably pro-poor.¹⁵ First, the economic expansion in the 2000s created 21 million jobs (in contrast with 11 million during the 1990s; see Tables 1 and 2). Around 80 per cent of them were in the formal sector.¹⁶ Significantly, around 90 per cent of jobs created in the 2000s paid less than 1.5 times the minimum wage (51 per cent in the 1990s). Unemployment fell sharply, especially in the lower segments of the labour markets, reaching less than 10 per cent of the workforce for the first time in decades.

Table 1: Brazil: Net new employment creation (thousands)¹⁷

	1970s	1980s	1990s	2000s
> 5 minimum wages	2,856	5,980	953	-4,279
3 - 5 minimum wages	3,100	3,377	482	311
1.5 - 3 minimum wages	5,437	4,084	4,002	6,122
< 1.5 minimum wages	5,892	4,586	-295	19,941
Unwaged	-62	126	5,905	-1,080
Total	17,223	18,153	11,047	21,015

Table 2: Brazil: Distribution of wages (%)¹⁸

	1970	1980	1990	2000	2009
> 5 minimum wages	4.7	9.6	14.5	16.7	7.5
3 - 5 minimum wages	4.3	10.0	11.4	12.0	8.9
1.5 - 3 minimum wages	13.8	21.1	21.3	25.5	24.9
< 1.5 minimum wages	64.3	51.9	45.3	34.3	47.8
Unwaged	12.8	7.4	7.5	11.5	10.9

Second, inequality declined across a broad spectrum of measures.¹⁹ The Gini coefficient fell from 0.57 in 1995 to 0.52 in 2008. The incomes of the bottom decile rose by 91 per cent between 2001 and 2009, while the incomes of the top decile increased by a more modest 16 per cent. Incomes rose by 42 per cent in the poorer northeast of the country against 16 per cent in the southeast; more in the periphery than in the centre of São Paulo, and more in rural than in urban areas. Female income rose by 38 per cent against 16 per cent for men (60 per cent of the jobs created in the 2000s employed women), and the income of blacks rose 43 per cent against 20 per cent for whites. Finally, the population below the poverty line fell from 36 per cent in 2003 to 23 per cent in 2008, benefitting 20 million people.

Unsurprisingly, Lula's approval rate touched on 90 per cent towards the end of his second term.²⁰ He hand-picked and secured the election of his successor, former Chief of Staff Dilma Rousseff, who won 56 per cent of the ballots in the second round.²¹ Despite these considerable achievements, a closer examination of Lula's administration reveals limitations at four levels.

First, the labour markets remain weak. Subcontracting is still rising in SOEs, large private companies and in the services sector, and these workers earn 40–60 per cent less than their peers performing similar tasks. This might help to explain the extremely high proportion of very low-paid jobs created during the 2000s and the slow recovery of the wage share of national income, which rose only from 38 per cent in 2000 to less than 50 per cent today (the same level it had 30 years ago, at the end of import-substituting industrialization, and still under the military dictatorship).²² Conversely, 4.3 million jobs paying more than 5 times the minimum wage were lost in the 2000s (while 950,000 were created in the 1990s). This may be partly due to the rise of the minimum wage and to the (largely involuntary) exit of relatively high earners from the labour markets, as many were compelled to become small entrepreneurs through a severe lack of alternatives. It does,

however, shed some light on the employment difficulties faced by the middle class.

Second, the balance of payments constraint has been relaxed, but not hugely. Brazil has become a net creditor for the first time in history, and it now holds US\$370 billion in international reserves. Although this can provide a cushion against fluctuations in the global economic environment, the country continues to run a current account deficit; therefore, its currency reserves are 'borrowed' rather than 'earned': they are due to capital inflows, which are volatile and give rise to corresponding foreign currency liabilities.

Third, the exchange rate has been overvalued throughout Lula's administration, because of the high interest rate policy of the Central Bank, the commodity boom and the capital inflows due to foreign investment and quantitative easing programmes in the US, UK and the eurozone.

Fourth, at a political level the PT is large but weak, and riven by contradictions.²³ The party defends both economic stability and structural reforms; it supports large capital while postulating the socialization of the means of production; and it advocates a new political culture while making alliances with deeply unsavoury characters. Beyond its inability to choose a programme which it can actually support, the PT has neglected its most committed supporters in the trade unions and the MST, and shied away from reforming the media even though the press has repeatedly attempted to destroy the PT, its leaders and their administrations. The PT has also been increasingly shunned by a noisy middle class, but it continues to receive the support of the poor.

DILMA ROUSSEFF'S ADMINISTRATION

Dilma Rousseff was a technocrat; she had never fought an election before, and had no support base. Having been anointed by Lula, she inherited both his voters and his detractors. The voting pattern in 2010 closely mirrored that of the 2006 elections: Dilma won in the poorer states of the north and northeast and in most of the southeast, except São Paulo state. In each state, her vote was concentrated in the poorer areas and among the least educated voters. Her main rival, from PSDB, won in São Paulo and in the richer states in the 'arch of agribusiness' across the south and the centre-west and, nationally, among higher income and more educated voters.

After Dilma's inauguration, in January 2011, the government expanded further its social programmes in order to eliminate absolute poverty, which still impinges on 17 million people, and tilted economic policy a bit more towards neo-developmentalism, but without formally abandoning the neoliberal 'tripod'. Monetary and exchange rate policies were aligned more

closely with the government's industrial policy, in order to limit the current account deficit and support the internalization of strategic production chains. Real interest rates fell to their lowest levels in 20 years (from an average of 22 per cent in Cardoso's first administration, to less than 3 per cent under Dilma), and the Central Bank started extending the maturity and lowering the costs of the domestic public debt. The government introduced successive rounds of tax rebates in order to incentivize production and control inflation (in a significant departure from the single-minded focus on the manipulation of interest rates, under neoliberalism), and strong-armed the private operators into reducing the price of electricity. Finally, the government sought to attract private investment into infrastructure and transport through concessions, public-private partnerships and regulatory changes, in order to bypass budgetary constraints and legal limitations to state funding, and to commit the domestic bourgeoisie to the government's investment programme.

Despite these policy changes, the Brazilian economy has slowed down significantly. First, because the government has failed to kick-start a virtuous circle of growth driven by private investment, despite the increase in fiscal spending, SOE investment, loans by state-owned banks and the profusion of incentives and tax rebates.

Second, because of a deteriorating balance of payments due to the slowdown in Brazil's main markets (China, the EU and the US), sluggish commodity prices and the aggressive devaluations and export-led recovery strategies in several large economies. Moreover, low interest rates and quantitative easing in the advanced economies have triggered capital flows to Brazil, leading to the appreciation of the *real* and worsening the country's competitive position. These adverse outcomes were compounded by the high income-elasticity of Brazil's imports (every 1 per cent growth in Brazil raises imports by 3.4 per cent), in contrast with the country's low income elasticity of exports (every 1 per cent growth in the rest of the world raises Brazil's exports by 1.3 per cent).²⁴ The country's current account deficit rose from 2.1 per cent of GDP in 2011 to 2.7 per cent in 2012 and 3.8 per cent in the first two quarters of 2013.

This worrying trend was tempered by the reversal of capitals flows, anticipating the unwinding of quantitative easing. This outflow sucked the life out of the São Paulo stock exchange, which tumbled from 62,000 points in January 2013 to 46,000 in July, and triggered a rapid devaluation of the *real* between May and June. For this reason, and because of poor food crops, inflation edged up in early 2013.

Under severe pressure from the media, the financial markets, its

parliamentary base, the middle class and most economists, the government reaffirmed its commitment to the inflation targets and signalled to the Central Bank that it was time to start raising interest rates; at the same time, the Ministry of Finance announced cuts in public spending. Wage income and the level of employment have remained stable, but they now tend to decline slowly. These policy adjustments do not necessarily signal the return of naked neoliberalism, but they do illustrate the limits of government power in a globally integrated middle-income capitalist economy, and the political fragility of Dilma's administration.

In the first months of 2013, the media was trumpeting the 'failure' of every aspect of government policy, and the 'imminent threat' of runaway inflation. Their negative campaign shifted the popular mood, and Dilma's popularity fell by 8-10 percentage points, although starting from an extraordinary level of 70 per cent, which had never been achieved by any Brazilian president in their third year in office.

The government's economic difficulties were compounded by political limitations. Lula was a charismatic leader, and he excelled at the conciliation of differences. Dilma lacks these virtues. Although she is an accomplished manager, she is said to be abrasive and intimidating, and her government has deliberately turned away the trade unions, left-wing NGOs and the MST in order to pursue a progressive technocratic agenda, which has created a sense of despondency among her strongest supporters.²⁵ On top of it all, the entire – badly divided – left controls less than one-third of the seats in Congress, of which only half (around 15 per cent of the seats in the Chamber of Deputies and in the Senate) are held by the PT. This makes it impossible to govern without volatile alliances with undisciplined parties and grubby individuals, which have to be managed under the gaze of a hostile press and the scrutiny of a right-wing judicial system. After ten years in federal office, the PT seems to have political hegemony without the substance of power; at the same time, it seems to engage in the same dirty political games as everyone else, belying its historical claim to hold the moral high ground.

An economic recovery in 2014 remains plausible, depending on the productivity gains due to better infrastructure provision (half of PAC projects are nearing completion), improvements in the balance of payments and the recovery of private investment, which has declined from 16.4 per cent of GDP in 2010, to 14.7 per cent in 2012.²⁶ The government can also pump up personal credit and mortgage loans, which remain small by global standards. Around 40 per cent of the workforce remains in the informal sector, and does not contribute to the coffers of the social security system. Finally, the government can also loosen fiscal policy further, or engineer

another round of devaluation of the *real*. Unfortunately these options are limited: the global crisis is likely to drag on, productivity gains from specific projects are notoriously uncertain, and the accumulation of personal debt may not fuel a sustained process of growth. It will be difficult to continue increasing the formalization of the workforce in a slowing economy, further fiscal loosening risks a political backlash, and the devaluation of the currency is inflationary in the short-term. The scenario in mid-2013 pointed towards the gradual deterioration of the main macroeconomic variables, the build-up of social and political tensions, and the continuing reduction of the degrees of freedom available to the state.

THE EVENTS OF JUNE

On 6 June, the radical left Free Fare Movement (*Movimento Passe Livre*, MPL), an autonomist organization, led a small demonstration demanding the reversal of a recent increase in public transport fares in the city of São Paulo, from R\$3 to R\$3.20 (a similar fare increase had also been introduced in Rio de Janeiro).²⁷ The movement was criticized by the press for obstructing the roads and making unrealistic demands, and their demonstration was attacked by the police. The MPL returned in larger numbers in the following days, and the police responded with increasing brutality, beating up scores of people and shooting demonstrators and journalists with rubber bullets.

Suddenly, the main press and TV networks changed sides and started supporting the movement. The media provided abundant coverage of the demonstrations, effectively calling people to the streets, and it sponsored the multiplication and de-radicalization of demands, towards a cacophony focusing on citizenship issues, state inefficiency and corruption. The demonstrations exploded in size and spread across the country; they also became much more white and middle class in composition.²⁸ In less than two weeks they involved well over one million people in hundreds of cities, mostly young workers, students and the middle class, categories of workers with corporative demands (bus drivers, lorry drivers, health sector workers, and so on), and working-class neighbourhoods seeking local improvements.

In common with recent mass movements elsewhere, for example in Turkey, the Brazilian demonstrations were highly heterogeneous, including a multiplicity of groups and movements with unrelated demands, and organized primarily through social media and TV. Interestingly, the Brazilian demonstrations often had no clear leaders and no speeches. Groups of people would often get organized on Facebook and Twitter, meet somewhere, and then march in directions that were frequently unclear, depending on decisions made by unknown persons more or less on the spot.

Anyone could come up with their own demand or call their own demonstration, and if they were anti-political and humorous this would increase their chances of appearing on TV. The demonstrations included banners about a whole range of issues, among them public services (for); FIFA, the 2013 Confederations Cup and the 2014 World Cup (against); gay rights and the legalization of drugs (mainly for, but most churches are against); compulsory voting (mostly against); abortion and religious issues (all over the place); public spending, privatizations and the state monopolies (unclear); Dilma Rouseff and the PT (strongly against); the return of military rule (a far-right pipe-dream); and, strongly highlighted by the media, corruption (against which everyone could happily march together). It was especially paradoxical to see middle-class people expressing indignation over public services that they neither use, nor intend to use any time soon.

Police repression was sometimes accompanied by riots, and then the police pulled back, partly because of concerns for their public image; at other times, the police would attack the demonstrators while leaving the rioters alone. Infiltration by the police and the far right was both evident and widespread. Some marches were, somehow, declared 'party-free', and left-wing militants and trade unionists were harassed and beaten up by thugs shouting 'my party is my country'. During this period, the mobilizations continued to grow; as they did so, they became both more radicalized and more fragmented. When the federal government finally pushed São Paulo and Rio de Janeiro to reverse the transport fare increases by offering them tax breaks, accompanied by the threat of leaving them alone to sort out the mess otherwise, the mobilizations were already out of control.

In late June, the left made a coordinated effort to regain the leadership of the movement, while the federal government, after considerable hesitation, sought left support for the first time. In a meeting with state governors and mayors of the major cities on 24 June, Dilma Rouseff proposed a 'national pact' to reduce corruption, introduce political reforms and expand public service provision, especially in health, education and public transport, to be funded in part by the revenues flowing from the country's new deep water oilfields (which were originally going into a sovereign wealth fund).

Dilma's two key initiatives were, first, to call a plebiscite to reform the electoral and party political legislation. The current system is highly complex, and it creates incentives for career politicians to take large private donations or steal public funds in order to fund their campaigns. Since Congress is unlikely to agree a significant change in the rules, much less a progressive one (including, for example, the right of recall of elected officials and the prohibition of private campaign funding), a plebiscite offers the best

way forward for the left. The media, the right-wing opposition and part of the government's notional supporters in Congress immediately decided to obstruct this initiative, which risks floundering. Second, the government proposed a significant expansion of basic health provision through additional funding and the hiring of foreign doctors to work in three thousand deprived municipalities. This initiative was strongly opposed by the medical lobby, and its future remains uncertain.

In the meantime, eight national trade union confederations, including CUT, joined together with the MST and a broad range of popular organizations to organize a 'day of action' on 11 July, attempting to shift the focus of the wave of protests back towards immediate working-class demands. These include the reduction of the working week from 44 to 40 hours, higher state pensions and the restriction of subcontracting. The demonstrations and strikes taking place on that day included several hundred thousand workers; unsurprisingly, media coverage was very modest.

The demonstrations dwindled rapidly at the end of June. They were succeeded by scattered mobilizations of a few dozen or (rarely) a few hundred people, often with a heavy presence of 'Black Bloc' anarchists and right-wing hooligans intent on attacking shops and banks. Rio de Janeiro is the only exception, because there the demonstrations morphed into a left political offensive (including the PT) against the state governor, a member of the centre-right PMDB and, nominally, an ally of Dilma Rousseff. The tendency, however, points to the continuing fragmentation and decline of the demonstrations, although new flare-ups remain possible in the run-up to the 2014 Football World Cup and the start of the electoral campaign.

CHALLENGES FOR THE LEFT

The Events of June have posed difficult challenges for the Brazilian left. Most radical left parties, trade unions and mass organizations were disabled long ago by the neoliberal reforms; the mass base of the left has been extensively decomposed, collective action has become harder, and the left has been both supported and tainted by association with the PT federal administrations. The cultural identifiers and political expectations of the formal and informal working class and the middle class have been transformed, and the internet has changed radically the modalities of social interaction among the youth. For many workers and students, the military dictatorship is ancient history, and the PT is the only party they have ever seen in office in Brasília. The demands and expectations of the formal and informal working class have shot up in the last decade, while the middle class, stuck in opposition for years, has become embittered. The press devalues the political system and

harasses the left relentlessly, and the economy has been slowing down for three years. Suddenly, the streets seem to explode: every social group parades its own frustrations, unprecedented rioting takes place, and the government – already disconnected from the organized left and the middle classes – is clearly bewildered. What now?

The first challenge for the Brazilian left is to appreciate what has been achieved in the last decade. The second challenge, inseparable from the first, is to recognize the shortcomings of the PT administrations and identify where progress is most urgent.

The economic, social and political achievements of the administrations led by Lula and Dilma are in no way revolutionary, but they are real enough, both for the workers and for the national economy. The fragilities of Dilma's administration are due, in part, to her personal style, the frailty of her parliamentary base, her simultaneous isolation from the organized workers and the middle class, the dysfunctionalities of the political system, widely-held perceptions that politics is inherently corrupt, the legal straitjacket that makes it painfully difficult to spend public money, the growing activism of a conservative judiciary, media hostility, and the depth and extent of the remaining inequalities in the country. Dilma's fragilities are also due to the *achievements* of the PT administrations, which have raised the expectations of the workers and the poor much faster than their income or the state's capacity to deliver public goods. The economic slowdown has also created the impression that the cycle of prosperity which started with Lula has become exhausted, adding to the sense of dissatisfaction that fuelled the recent explosion.

It follows that the demonstrations are the outcome of three distinct processes. First, they result from a confluence of dissatisfactions. The middle class has lost much through the recent improvements in income distribution and the democratization of the state, and finance has lost because of the policy inflection towards neo-developmentalism. Finance is clear about its own losses, and it seeks to rebalance the books through the perpetuation of a 'fear of inflation' leading to higher real interest rates and better returns on its assets. In contrast, the middle class has no clear understanding of its predicament, and it has projected its discontent on to the state and the political system ('corruption', 'inefficiency') and – guess what – the threat posed by inflation to its standard of living. These are purely negative platforms. In contrast, the formal and informal workers want to protect what they have achieved, and they also demand more – *right now*. This confluence of frustrations is a recipe for social and political volatility.

Second, the PT has been unable to manage the demands emerging

through the success of its own policies, and it is, in this sense, a victim of its own success. For example, economic growth, income distribution and the wider availability of credit and tax breaks to domestic industry have led to an explosion in automobile sales, while woefully insufficient investment in infrastructure and in public transport has created traffic gridlock in many large cities.²⁹ Rapid urbanization has overwhelmed the electricity, water and sanitation systems, leading to power cuts and repeated disasters in the rainy season. Public health and education have expanded, but they are widely perceived to offer poor quality services. There has been virtually no progress on land reform, condemning millions to a life of marginality while agribusiness prospers. The press remains heavily concentrated, and it attacks the government insistently. In this sense, the Events of June were *not* primarily due to perceptions of losses, except by the middle class (which poured into the streets *en masse*, but only in the second phase of the movement). Instead, the protests were sparked by popular demands for the improvement of services that are already available, but that have become completely unsatisfactory in the light of the growing expectations of the workers and the poor. As the economy has stagnated and social and distributive conflicts have picked up, the government has found it increasingly difficult to juggle these contradictory pressures, and it shows signs of running out of steam.

It is impossible to address these challenges purely institutionally, without the aggressive deployment of public resources for strategic ends and the mobilization of the working class to confront the traditional elites. However, these destabilizing options were never considered by the PT administrations. Instead, they have systematically chosen a gradualist strategy including minimal legislative and regulatory changes and, until recently, as little involvement by the popular organizations as possible. The Events of June suggest that this strategy may be exhausted, and it may even help to paralyze the government, potentially sealing its defeat in the 2014 elections.

Third, the protests have revealed a deep disconnect between most social classes and fractions and their political structures of representation. The demonstrations were, generally, against politics *as a whole*, rather than focusing on specific administrations or political leaders. Many demonstrated against Dilma and the PT, and Dilma's approval in the opinion polls halved in the month of June to 30 per cent, but no one demonstrated for neoliberalism, the return of Cardoso's policies, or the PSDB. It is also sobering to realize that there were no mass demands for socialism: discontent is high, but revolution remains off the working-class agenda.³⁰ No party has gained from the demonstrations, except, perhaps, the new 'Rede de Sustentabilidade' (Sustainability Network) led by former Minister Marina Silva, who has 20

per cent of the preferences for the 2014 presidential elections. This overtly 'green' organization is a potentially useful front for the right, as it searches far and wide for viable candidates; however the Rede's growth has been limited by its inability, so far, to obtain the 500,000 signatures required to register a new party.³¹

CONCLUSION

In the wake of the largest mass movements in a generation, it has become essential for the left to support Dilma Rousseff's administration. This has been recognized by most working-class organizations, including the MST.³² The Brazilian experience demonstrates the feasibility of policy alternatives to neoliberalism, and it supports more ambitious political experiences in Latin America and elsewhere. If the current government became incoherent or paralysed, this is unlikely to facilitate a socialist revolution in Brazil, because there are no ideological, organizational, social, material or international conditions for that to happen. It would, instead, facilitate a right-wing victory in the 2014 presidential elections, demoralize and disorganize the Brazilian left, and halt the painfully slow progress towards democratic policies in the country.

A new policy agenda for the left can be based on the government's recognition that it has failed to improve living conditions in urban areas sufficiently rapidly, and that further improvements in these areas, and in growth and distribution more generally, require not only technocratic solutions with a progressive character, but the integration of left social movements into the policy-making process. This could help to strengthen and radicalize the political agenda, increase the legitimacy of administration's policies, and expand the mass base of the government. This would also incorporate the most significant lesson of the Events of June for the left: that the careful choice of targets, organization, dedication to the struggle and persistence can bring important successes. The reduction of transport fares has put public services at the top of the political agenda. This is a massively popular area of struggle, directly affecting tens of millions of people. However, even beyond reducing bus ticket prices, the demonstrations have been a political school for a new generation of workers, with potentially far-reaching consequences.

Left initiatives in the current circumstances can seek to bring together the workers and the poor, marginalize and fragment the middle class and the right and put pressure on the state apparatus, while allowing a radical working-class movement to work together with some state institutions in order to raise, from below, their influence on policy formulation and

implementation. The left should, then, engage in a dialogue with the government, while insisting that a predominantly parliamentary strategy to introduce democratic Constitutional and policy reforms will fail.

Feasible reforms include the decommodification of public goods and services, starting with education, health, transport, water and sanitation, and improvements in the quantity and quality of provision; legal changes in fiscal and budgetary policy to facilitate a counter-cyclical and growth-accommodating policy stance; the break-up of media monopolies; the limitation of working hours; the reform of the political system; police reform; and the full implementation of the country's environmental laws.

This strategy is not risk-free. Indeed, it is likely to trigger another finance, media and middle-class backlash, backed up by the judiciary and a large part of Congress. But the left is running out of options. The risk of inaction is that – given the economic slowdown – media pressures, financial sector plotting, middle-class hostility and far-right provocations could pin down the administration and deliver the 2014 elections to the right. Even if this does not lead to a complete reversal of the distributive gains achieved under Lula and Dilma, it would have a lasting and profoundly negative impact upon the organized working class and the left in Brazil.

NOTES

We are grateful to Al Campbell and Ben Fine for their generous comments on this essay. The usual disclaimers apply.

- 1 See Lecio Morais and Alfredo Saad-Filho, 'Snatching Defeat from the Jaws of Victory? Lula, the Workers' Party and the Prospects for Change in Brazil', *Capital & Class*, 81, 2003, pp. 17-23; and 'Lula and the Continuity of Neoliberalism in Brazil: Strategic Choice, Economic Imperative or Political Schizophrenia?', *Historical Materialism*, 13(1), 2005, pp. 3-32.
- 2 For a description of the Brazilian class structure, see Armando Boito Jr., 'Governos Lula: a Nova Burguesia Nacional no Poder', in Armando Boito Jr. e Andréia Galvão, eds., *Política e Classes Sociais no Brasil dos Anos 2000*, São Paulo: Alameda, 2012, pp. 67-104.
- 3 The implementation of the economic policies associated with Cardoso under Lula and the *mensalão* scandal led radical left groups within the PT and religious leaders concerned with ethics in political life to set up the Party of Socialism and Freedom (*Partido Socialismo e Liberdade*, PSOL) in 2005. The most prominent member of PSOL was an evangelical leader, Senator Heloísa Helena, known as 'The Little Saint' (*Santinha*) by the poor in her home state of Alagoas. Her bid for the presidency in 2006 was welcomed by the middle classes in metropolitan areas in the south and the southeast, and she received 6.8 per cent of the ballots, but the party only elected three federal deputies. In

the 2010 presidential elections, the PSOL obtained 0.9 per cent of the votes and, again, elected three deputies. Since then, despite its socialist discourse, the party has worked mainly among the radicalized middle classes; it focuses its attention on corruption.

- 4 Two trade union confederations were founded in final years of the military dictatorship (1964-85). The United Labour Congress (*Central Única dos Trabalhadores*, CUT) was the largest by far, and it operated as the trade union arm of the PT; the General Confederation of Labour (*Confederação Geral dos Trabalhadores*, CGT) included trade unions aligned with the right as well as the far left, but united in their opposition to CUT. Today, there are eight trade union confederations in Brazil, of which five are closely aligned with rival political parties. The largest are CUT and Trade Union Power (*Força Sindical*, FS), which is connected with the Democratic Labour Party (*Partido Democrático Trabalhista*, PDT), founded by the left nationalist and populist leader, Leonel Brizola. Most confederations work together with the PT administrations, but CUT and FS have managed to appoint a large number of cadres for the Ministry of Labour, which has considerable power over the structure and the operations of the trade unions.
- 5 Armando Boito, 'A Hegemonia Neoliberal no Governo Lula', *Crítica Marxista*, 17, 2003, p. 6; André Singer, 'A Segunda Alma do Partido dos Trabalhadores', *Novos Estudos Cebrap*, 88, 2010, p. 109.
- 6 Most of the accused were found guilty by the Supreme Court in 2012, and several were given prison sentences. The President of the Supreme Court is now touted as a potential right-wing candidate in the 2014 presidential elections.
- 7 Singer, 'A Segunda Alma', p. 94.
- 8 André Singer, 'Raízes Sociais e Ideológicas do Lulismo', *Novos Estudos Cebrap*, 85, 2009, pp. 83-102.
- 9 Singer, 'A Segunda Alma', pp. 96-7.
- 10 Singer, 'Raízes do Lulismo'; see also Singer 'A Segunda Alma', p. 98; and Jean Tible, 'O Fenômeno Político do Lulismo e a Construção de Uma Nova Classe Social', in *Classes Sociais no Brasil de Hoje*, available at <http://novo.fpabramo.org.br>.
- 11 The terms 'organized working class' and 'informal proletariat' concern the type of capitalist relationship in which these workers are included. The organized sector refers to formally registered enterprises operating according to typically capitalist principles and hiring workers through legally enforceable contracts. This sector includes the civil service, all state-owned enterprises (SOEs) and the largest private firms. The informal proletariat has heterogeneous occupations, performs non-standardized work and does not produce standardized commodities for sale; they often depend on transfers for survival, which may be legal (state benefits), voluntary (charity) or involuntary (crime). They are normally employed in households or in unregistered firms, do not sign legally enforceable contracts and, often, do not have fixed wages. They include most domestic servants, unregistered street sellers, irregular (unskilled) workers, prostitutes, vagrants and petty criminals. In Brazil, only the organized sector

workers are legally allowed to set up or join trade unions. Under neoliberalism, the informal proletariat has had an increasingly close relationship with the working class, with whom they intermingle at the margins of the 'liberalized' labour markets.

- 12 Lecio Morais and Alfredo Saad-Filho, 'Brazil beyond Lula: Forging Ahead or Pausing for Breath?', *Latin American Perspectives*, 38(2), 2011, pp. 31-44; 'Neo-Developmentalism and the Challenges of Economic Policy-Making under Dilma Rousseff', *Critical Sociology*, 38(6), 2012, pp. 789-98.
- 13 Boito, 'A Hegemonia Neoliberal'.
- 14 Marcio Pochmann, 'Políticas Sociais e Padrão de Mudanças no Brasil Durante o Governo Lula', *SER Social*, 13(28), pp. 25-7.
- 15 Alfredo Saad-Filho, 'There is Life beyond the Washington Consensus: An Introduction to Pro-Poor Macroeconomic Policies', *Review of Political Economy*, 19(4), 2007, pp. 513-37.
- 16 Wladimir Pomar, 'Debatendo Classes e Luta de Classes no Brasil', in *Classes Sociais no Brasil de Hoje*, p. 42.
- 17 Marcio Pochmann, *Nova Classe Média?*, São Paulo: Boitempo, 2012, p. 27.
- 18 Pochmann, *Nova Classe Média?*, p. 28.
- 19 Estêvão K.X. Bastos, *Distribuição Funcional da Renda no Brasil: Estimativas Anuais e Construção de Uma Série Trimestral*, Texto para Discussão IPEA, No. 1702, 2012; Marcio Pochmann, 'Estrutura Social no Brasil: Mudanças Recentes', *Serviço Social & Sociedade*, 104, 2010, pp. 640, 648; Pochmann, 'Políticas Sociais', p. 38; Pochmann, *Nova Classe Média*, p. 32; André Singer, 'Realinhamento, Ciclo Longo e Coalizões de Classe', available at <http://www.reded.net.br>; and Tible, 'O Fenômeno Político do Lulismo', p. 68.
- 20 Brazilian presidents can be re-elected only once, but they can run again after a break. There are persistent rumours that Lula may yet try his luck.
- 21 For a detailed account, see Morais and Saad-Filho, 'Brazil beyond Lula'.
- 22 Pomar, 'Debatendo Classes', p. 42. Using a different dataset, starting in the mid-90s, Bastos, '*Distribuição Funcional da Renda*', pp. 29-31, shows that the wage share declined steadily until 2003, when it had lost around 6 percentage points of GDP; it then turned around and recovered most of the lost ground by 2008.
- 23 Singer, 'A Segunda Alma', pp. 110-1.
- 24 André Nassif, 'Estagnação: Reflexões e Sugestões', available at <http://www.valor.com.br>.
- 25 Josué Medeiros, 'O PT e as Classes Sociais no Brasil: Reflexões após Dez Anos de "Lulismo"', available at <http://novo.fpabramo.org.br>, p. 59.
- 26 Data available from <http://www.planejamento.gov.br> and <http://www.ibge.gov.br>.
- 27 For a more detailed review of the protests, see Alfredo Saad-Filho 'Mass Protests under "Left Neoliberalism": Brazil, June-July 2013', *Critical Sociology*, 2013 (forthcoming). The history of the MPL is outlined in Euan Gibb, 'Brazil: Private Transit, Public Protests', available at <http://www.socialistproject.ca>.
- 28 For an anecdotal account of the demonstrations, see <http://www.rededemocratica.org>. An opinion poll in eight state capitals on 20 June (a day

of large demonstrations) suggested that 63 per cent of the demonstrators were aged 14–29, 92 per cent had completed at least secondary school, 52 per cent were students, 76 per cent were in paid employment, and only 45 per cent earned less than 5 minimum wages. In other words, they had attended school for much longer and had much higher incomes than the population average; see <http://g1.globo.com> and <http://thesmokefilledroomblog.com>.

- 29 Marilena Chauí, 'As Manifestações de Junho de 2013 na Cidade de São Paulo', available at <http://www.teoriaedebate.org.br>.
- 30 The radical left has found it difficult to prosper under the twin pressures of neoliberalism and PT political hegemony. The recomposition of the working class in the last 30 years has increased social heterogeneity and reduced the workers' organizational and political capacities, while the dissolution of socialist alternatives worldwide and Brazil's integration into 'global' culture have deprived the proletariat of alternative political references (with the partial exception of Chavez's Venezuela, which is demonized by the right and remains contested among the left). Since the early 1980s, no party has grown to the left of the PT, and debates about the desirability and feasibility of revolutionary alternatives to capitalism have largely died down.
- 31 Marina Silva is an ascetic popular leader from the Amazon, and a strict adventist. She rose in the PT as an environmentalist with extensive connections with international NGOs, and acquired a good reputation among the urban middle class. She served as Minister of the Environment in Lula's first administration, where she had no measurable impact. She subsequently left the government and the PT, and ran as the Green Party candidate against Dilma in 2010. Marina obtained 20 per cent of the ballots in the first round, against the PSDB's José Serra's 32 per cent. In the second round of the elections, against Dilma Rousseff, both Serra's and Dilma's shares of the votes increased by 10 per cent, suggesting that Marina's voters split evenly among the two camps. Marina has thrived in the environmental movement and through her extensive use of social networks; however, her economic and social policies remain vague, except for her opposition to abortion and gay rights.
- 32 The MST is the most important radical left-wing mass organization in Brazil. In contrast, the far left parties are relatively small, and they have been largely ineffective in terms of their own programmatic ambitions. The Communist Party of Brazil (*Partido Comunista do Brasil*, PCdoB) has reiterated its support for Dilma's administration, where it heads the Ministry of Sport. PSOL was initially critical of Dilma and the PT, but joined the mainstream left when it became clear that the protests were being kidnapped by the middle class and the far right; the party is now contributing to the debate about the Constitutional reform (<http://www.psol50.org.br>; document issued on 16 July 2013). The Unified Socialist Workers' Party (*Partido Socialista dos Trabalhadores Unificado*, PSTU) has called for a decisive break with the PT in order to prepare the launch of a revolutionary left alternative (<http://www.pstu.org.br>; document issued on 30 July 2013).