

Chapter III

‘Tomorrow you will be the government’: The Vargas’s utopia in practice

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CHAPTER III

'TOMORROW YOU WILL BE THE GOVERNMENT': THE VARGAS'S UTOPIA IN PRACTICE¹

Introduction

From Chapter II we conclude that the inclusion of the working classes in the Brazilian social dynamic and political regime was accomplished mainly (though not exclusively) through the multidimensional regulation of the labour market. The political organization, mobilization, co-optation or control of the working classes and their labour representatives throughout history cannot be properly understood out of the framework of the establishment of legal guarantees for the individual worker and their union representatives, which gave them visibility vis-à-vis the State, assured them voice in the public arena, ensured them some relief in unemployment, while social security systems provided a social safety net for workers and for their families. In Brazil, like in other Latin American countries, the regulation of the labour market was the vehicle for inclusion under the imports' substitution industrialization model, and workers have embraced real hopes of being included in the regulatory framework guaranteed by the State. It is true that the formal labour market and its institutions have never included

¹ The main ideas developed here appeared for the first time in Cardoso (2015b). This is a revised and extended version.

all workers, as we have seen. Informality has been and still is large in the country. But the *expectation* of inclusion has always played an ‘inclusive’ role amongst Brazilians, especially those who fled the countryside in search for better living conditions in the urban areas after at least the 1930’s. That expectation was occasionally fulfilled because of the high turnover rates that characterized the country’s labour market dynamic, and this has helped to universalize the experience of a formal employment, albeit most often too short to assure enduring socio-economic security. For this reason, the formal labour market and its regulations (including the union structure) became one of the most important, if not the most important, inclusive mechanism in the country. The Vargas Era denotes this long-lasting process of subordinated, but at the same time desired incorporation of workers and their representatives in the social, economic and political arenas.

The system of labour regulation has been very stable over time in Brazil, and part of its persistence must be attributed to the fact that the labour law is *constitutionalized*, instituting the public authority (or the Federal Government) as a central and powerful actor in labour-capital relations. Constitutionalization has helped to consolidate a series of organized actors interested in the reproduction of the legal order, thus retro-feeding the entire system. These include the judicial system (with its hundreds of thousands judges, administrative workers and labour lawyers²), the Ministry of Labour (with its dozens of thousands civil

² In 2008 the labour judicial system had 3,185 active and 2,234 retired judges; and 36,500 working and 7,708 retired judicial servants. (data in <http://www.tst.gov.br/tst/iframe.php?url=http://www.tst.jus.br/Sseest/PESSOAL/servidor/ServJT.htm>, accessed in Sept. 2010). A representative of the Brazilian Lawyers’ Organization estimates that one half of the more than 700,000 credited lawyers in Brazil are labour lawyers.

servants³), union leaders and union administrative workers⁴, and so on. The constitutionalized protection encompassed: (i) formal standards for collective bargaining, including interest representation and conflict mediation; (ii) substantive rights related to working conditions, health standards, wages and many others⁵; and (iii) the tutelary role of the State, which recognized the weaker position of workers in the capitalist economy, and at the same time controlled the structure, the actions and the reach of trade unions' representative role.

State regulation granted unions the monopoly of representation in a given jurisdiction (the municipality), and unions were (and still are) financed by a compulsory tax charged on all workers of that jurisdiction (the 'union tax')⁶. Union affiliation was not (and still is not) necessary for workers to benefit from collective bargaining results. During authoritarian periods strikes were controlled or forbidden by the public

³ The Ministry of Labour is ranked fifth in the federal budget, placed higher than Defense, Justice, Administration and 20 other ministries.

⁴ In 2010 the 20,800 existing unions (employers' and employees') had 176,000 formal employees, according to the Ministry of Labour. This does not include the union leaders themselves, the inclusion of which would catapult the figures to more than 400,000 people directly involved in actual workers' representation activities.

⁵ The regulations firstly constitutionalized in 1934 and extended in the constitutions of 1937, 1946 and 1988 include: working hours; the prohibition of night work for women and youth; minimum working age; entitlement to one day off each week; special rights for women during and after pregnancy; the definition of a minimum wage based on the basic needs of a worker's family; equal pay for equal work; salary protection; limits on overtime work; the right to housing and schooling; employer responsibility for work-related accidents and diseases; minimum occupational safety and health standards; the right of association for workers and employers; the right to collective bargaining; the right to strike; tripartite bodies for conflict resolution; labour courts; compensation for unjust dismissal; and the non-renounceable character of labour rights.

⁶ The tax represented one-day salary per year charged on all formal workers in the country. The resulting fund was administrated by the Ministry of Labour, which redistributed it among the unions (60%), the federations (15%) and the confederations (5%). The Ministry itself retained the remaining 20%.

authority, and although State control over union actions varied intensely throughout history, collective bargaining was actually displaced in many junctures, substituted for repressive control of unions by State officials, by judicial bargaining in labour courts and also by State imposed wage policies. For these reasons, the main feature of the Brazilian labour relations' system has always been and still is the fact that the law, not collective bargaining, plays the major role in the regulation of state/labour/capital relations. Collective bargaining has been important in some crucial junctures (especially wage bargaining), but it tended to play a subsidiary role until very recently. As Noronha (2000) put it, the labour law is the most enduring feature of the Brazilian system. This feature has set the parameters for union structure and action over time.

These provisions were a direct consequence of the compromises arising from the 1930's coup d'état that fetched Getúlio Vargas into office. The program of the 'Liberal Alliance' (*Aliança Liberal*) for the 1930 presidential electoral campaign acknowledged the 'social question' (in the cities and the hinterland) as central to governability⁷, and Vargas addressed that question in his first discourse as president of the 'Provisional Government' in November 1930. One of his first acts was the creation of the Ministry of Labour to 'take care of the social question' and protect and shelter the urban and rural workers⁸. These intents would have to wait, of course. The legal and constitutional provisions have not gained automatic *validity*, for the State had seldom the willingness nor the institutional mechanisms to ensure employers' compliance (French, 2004; Fischer, 2008). The labour code was then turned into an important subject of the day to day disputes between labour and capital to make it valid in labour relations. It

⁷ Vargas (1938: 26-28).

⁸ Vargas (1938: 72-73).

is not important, for that matter, that the labour law was instituted in an authoritarian, State controlled process. What is decisive is that it has shaped the expectations and practices of both capital and labour in intense and profound ways over the course of the 20th century. The law defined the issues, scope and the horizon of expectations of organized labour and individual workers in Brazil, in such a way that a good part of trade union struggles were oriented toward *enforcing existing laws*. In this way, workers' identities were constructed, most of the times, by the mediation of labour rights and within their bounds (Paoli, 1986; Gomes, 1988), again in different ways, depending on the historical junctures.

The institutions created in the Vargas Era were, and still are, much more deeply rooted than the then union leader Luiz Inácio Lula da Silva was prepared to acknowledge in 1979, when he said that Vargas's Consolidation of the Labour Code (*Consolidação das Leis do Trabalho* - CLT) was the 'workers' AI-5', that is, the 1968's Institutional Act No. 5, the most repressive of a series of measures enacted by the military dictatorship to control and repress dissidence. As a consequence of the Act the military suppressed the *habeas corpus*, closed the National Congress and intervened in the Supreme Court. In practice, from 1968 to at least 1974 Brazil was in state of siege, and all individual and collective rights and guarantees were suspended. Most of the assassinations, deportations and torture of opponents to the regime occurred during this period⁹. Lula was not a victim of the AI-5 himself, but he was surely aware of that imagery's mobilization power when he equated it with the repressive character of the labour regulations¹⁰. He was not in position yet

⁹ See, among others, the excellent revised book of Ridenti (2010).

¹⁰ In an interview published in July, 1978, Lula said: 'Some CLT articles are much more damaging to the working class than the AI-5. (...) To the government, it is much easier to reformulate the AI-5 than to change article 528 of the CLT' (Lula's interview to newspaper *Diário do Grande ABC*, reproduced in

to recognize himself as a legitimate creation and heir of that past, and so was not the labour movement that emerged in the end of the military rule. Let me return to the Vargas's project so as to try and give a meaningful interpretation of this apparently circular fate of the Brazilian unionism.

Vargas's project: a reassessment

From Chapter II we learned that Getúlio Vargas was a virtuous (in a Machiavellian sense) political personage. He ruled from 1930 to 1945 and again from 1951 to 1954. He was the leader of a coup d'état against the oligarchic regime of 1889-1930 and headed the 'revolutionary' government from 1930 to 1934. A new constitution was then enacted, naming Vargas as the constitutional president. In 1937 he headed another coup d'état and became a dictator with the support of the armed forces, which were important agents of his withdrawal from power in 1945. He was elected for presidency in 1950, took office in 1951 and committed suicide in 1954 amidst an intense conservative campaign, which was escalating into another military coup. The coup was halted by the president's dramatic act, but its possibility would haunt all succeeding democratic governments until its final actualization in 1964.

Rephrasing the analysis presented in the previous chapter, the *virtù* of Vargas's political project was to give way to a *double coordination mechanism* that assured the accumulation of capital and at the same time granted workers a share in the distribution of the wealth thus produced via State-sponsored redistributive social policies. This mechanism also assured workers *voice* in

Grizzo et al. 1981. Quotation is from pp. 129-130). Article 528 permitted the intervention in unions by the Ministry of Labour in case of 'circumstances that disturb the operation of the trade union or present relevant national security motives'.

the political arena, both through a controlled but increasingly militant labour movement and its connections with political parties in ever more competitive political arrangements. The combination of these elements resulted in a socially ingrained political dynamic that shaped workers' economic, social and political aspirations and identities in profound and enduring ways, defining the scope and limits of the capitalist sociability in Brazil¹¹.

To understand the operation of this double coordination mechanism, one must bear in mind the extent to which Brazilian labour law is deeply enshrined in the country's constitution. The constitutions of 1937, 1946, 1967 and 1988 have all accepted the terms of the 1934 Constitution, which first inscribed the labour code in its body. But that of 1946 inaugurated an important ambiguity, which framed the social and political struggles that followed. Let us see how it happened.

Vargas was expelled from office in 1945 by a military coup d'état, which was perpetrated to give way to the general elections which Vargas was trying to control. For reasons I cannot develop here, from 1943 onwards the Estado Novo began to lose control over various opposition agents, including students, intellectuals, the media, fractions of the Armed Forces etc. Vargas tried to control his imminent withdrawal from power in various ways: he created the two parties that would name the

¹¹ By capitalist sociability I understand the instantiation of the structuring elements of the social fabric in the day-to-day class relations under capitalism. It is the action that takes the 'other' into account as an integral set of intentions, desires and normative expectations towards 'me', concerning the world as it should be. Those expectations, however, are not the same for all actors, for capitalism is based on the unequal distribution of social, political and economic resources, in such a way that day-to-day encounters that instantiate its structuring elements are power relations at the 'end' of which the unequal distributions are confirmed, reproduced, denied or reverted, but never neglected. The capitalist sociability is the socially ingrained legitimating mechanism of the bourgeois order. I develop this at length in Cardoso (2010).

presidential candidates in the 1945 elections; planned to be a candidate himself; planned to interfere in the composition of the Constituent Assembly to be elected in 1946, forcing himself as its innate member etc. He was deposed by a military coup in October 1945 (see Gomes, 1988; Werneck Vianna, 1999; Carone, 1988).

The Constituent Assembly gathered in 1946 was expected to burn down the pillars of the proto-fascist 'Estado Novo', the authoritarian, corporatist regime instituted by the Vargas's 1937 Constitution. But this did not happen. While condemning fascism and corporatism, the 1946 code did not derogate the CLT, either in its individual or collective rights. The 1937 Constitution had outlawed strikes and lockouts, while the 1946 one provided that strikes were free 'according to the law'. In June 1946 General Eurico Gaspar Dutra (in office from 1946 to 1950) enacted the Decree 9.070 regulating strikes, in practice criminalizing them much in the 1937's terms¹². The authoritarian union structure created by Vargas and the detailed regulation of the labour market also remained intact. This cohabitation of a series of authoritarian regulations in a democratic institutional settlement would characterize the Brazilian labour relations ever since, and would mould workers' and their representatives' strategic action in profound ways.

As a consequence of the suspension of Brazil-USSR diplomatic relations as a result of the cold war, the Brazilian Communist Party was proscribed again in 1947¹³. Following suite, the Dutra government intervened in all major unions controlled by the communists and other union leaders in one

¹² The Decree can be found in <http://www.jusbrasil.com.br/legislacao/126565/decreto-lei-9070-46> (visited in Nov. 2010).

¹³ The Brazilian Communist Party (PCB) was funded in 1922, and declared illegal in 1927. In 1945 it was legal again, and proscribed in 1947 not to return to legality until 1985.

way or another linked to the Vargas's political project¹⁴. Besides, Dutra repeatedly postponed elections in the unions' system (Moraes Filho, 1979). Many leaders had been or would be in office for ten years or more, nominated either by Vargas's (1937-1945) or Dutra's ministers of labour. New elections would only occur in 1951 under the Vargas's democratic rule (1951-1954). So, authoritarian control of the labour movement marked the emerging democracy as well.

What is important for our discussion is the fact that the Dutra interventions were *legal*, once they were provided in the CLT. But they were ambiguously constitutional, for the 1946 national code stated that unions were free, adding that the law would regulate their constitution and practice. The ambiguity of the constitutional provisions inaugurated a process of legal, judicial and political disputes around the definition of the workers' collective rights that would continue until the 1964 military coup. Moraes Filho (1979) analyses laws, decrees, parliament debates and jurisprudence that prove the point from the legislation point of view. But this is only a symptom of a larger political dynamic that has *shaped* the system's overall identity, consolidating the coordination mechanism I am proposing here.

When the Dutra anti-labour government ended and pro-labour (Vargas from 1951 to 1954 and Jango from 1961 to 1964) or relatively neutral (Juscelino Kubitschek from 1955 to 1960 and Janio Quadros in 1961) governments took office, the corporatist union structure proved to be a powerful tool in the hands of militant union leaders¹⁵. Contrary to the 'classic' interpretation

¹⁴ The literature on the matter is increasing in recent years. See Motta (2002), Ferreira and Reis eds. (2007); Ridenti and Reis eds. (2007), Santana (2012).

¹⁵ A good measure of the anti or pro-labour practices of different governments are the number of interventions in official unions. According to Erickson (1979: p. 67-8), the Dutra government perpetrated 219 interventions. Under Vargas' second term there were 7 interventions, 35 under Kubitschek (1955-1960). There is no information on interventions for the 1961-1963 period, but

of the period¹⁶, in many sectors grassroots participation was the norm, not the exception (Nogueira, 1990; Negro, 1999). In this process, the banned communists and other proscribed or repressed political militants would pragmatically combat the repressive union structure while at the same time competing for its control via elections. Once winning official unions' elections, left-wing militants would virtually close them to any possible competition, and a good part of the militants' energies were devoted to winning and keeping control over official unions. The Ministry of Labour was the single constraining power to militancy, and an important one, but after 1951 labour ministers were seldom explicitly anti-labour¹⁷.

Vargas thought that organized labour would sooner or later 'be the government'. In the First of May 1951, in a public discourse at the Vasco da Gama stadium, in Rio de Janeiro, he exhorted workers to 'unite and gather in your unions as free and organized forces. The authorities will not be able to curtail your freedom, neither use pressure nor coercion. The union is your fighting weapon, your defensive fortress, your instrument of political action. Presently, no government will survive or have an efficient power to implement its social policies if it does not have the support of the workers' organizations' (Vargas, 1952:

in 1964 and 1965 the military intervened in 761 (or 37% of the 2,049 existing) workers' unions (last figures in Martins, 1989: p. 75 and 100). Interventions were concentrated in São Paulo, Rio de Janeiro and Pernambuco (mostly in this State's rural areas). See also Figueiredo (1978: p. 137), who offers smaller numbers (433 interventions in the 1964-65 period) due to a more restrict definition of intervention, meaning the deposition of elected officials and nomination of Ministry of Labour's delegates to rule the union. Martins (1989) and Erickson (1979) use the statistics presented by the Minister of Labour to the National Congress in a 1965 official audience about the interventions.

¹⁶ I refer to the very influential works of Cardoso (1969, reprinting an article from 1961), Rodrigues (1966), Rodrigues (1968) and Weffort (1970).

¹⁷ Many of them were also willing to control unions' actions. Erickson (1979) lists the names and gives a brief profile of all ministers of labour since the creation of the Ministry in 1931.

p. 324). The words *free*, *freedom*, *weapon* and *action* are crucial here. They are antithesis of the authoritarian union structure Vargas's dictatorship had created in 1939. In any event, he was channelling the workers' militancy to the institutional, State-sponsored apparatus. He was telling workers that this very apparatus should be 'freely' occupied and agitated by them not as a way to overcome capitalism, but as a support base for Vargas's redistributive, State-led project. He offered workers in general and workers' leaders in particular an identification project that was essentially *political*. Dissidence, of course, was not tolerated. Union leaders still had to get an 'ideology statement' in order to be entitled to take part in elections. That is, to be a candidate a worker had to prove he or she did not profess ideologies 'inimical to the public order' (French, 2004). The Department of Political and Social Order (DOPS), an organ created by Vargas during his dictator years, should issue the proof, the 'ideology statement'.

It is interesting to note that shortly after his election in 1951, Vargas welcomed a group of representatives of the Union of the Federal District Journalists (Rio de Janeiro), which demanded the end the 'ideology statement'. Vargas was surprised: 'What statement is that? In my government there has never existed anything like it' (Buonicore, 2000: 31, quoting the newspaper *Voz Operária*). Vargas was being evasive. The statement had been created in 1939, and had kept the communists out of the union structure ever since.

But this was about to change. In the second half of 1951 the Congress passed a law derogating the statement, which was confirmed by the Senate in August 1952 and sanctioned by Vargas in September¹⁸. This was a crucial decision. Vargas

¹⁸ Jorge Ferreira, author of an important biography of João Goulart (or Jango) – Varga's Ministry of Labour from Jun/1953 to Feb/1954, vice-president of Brazil from 1955 to 1960, and president from 1961 to 1964 –, attributes to him the end of the ideology statement (see Ferreira, 2011: 85 ff). But he

knew that the banishment of this repressive mechanism would open the way for the *actual* renovation of the union structure he had rhetorically preached for in 1951¹⁹. The doors of the official union structure were finally open to electoral competition, and this would soon change the power balance within it in favour of the communists and other militants not subordinated to the Ministry of Labour.

The existing literature has not recognized the importance of the banishment of the 'ideology statement' as a turning point in the Vargas political project²⁰. The sanction of the law may have played nothing but a symbolic role at that particular juncture, once Vargas was seeking support of left-wing forces that opposed him. But the further consequences were such that the political system at large and the Ministry of Labour in particular would soon be unable to control the labour movement.

Critique of the union structure and the CLT was part of the overall process of identity formation of the PCB's union action. From within the authoritarian union structure, the militants would gather fiduciary and institutional resources that fed their recurrent intents to build an autonomous union structure, most specially a central federation that could coordinate the labour

is mistaken. Goulart was the president of Brazilian Labour Party (*Partido Trabalhista Brasileiro* – PTB) and was surely aware of the debates in Congress. But he was not there when the House of Representatives approved the law in 1951. He had been appointed to an executive position by the government of his native State, Rio Grande do Sul, and stayed there until Feb. 1952. The decision was not 'his', although he did present it as such as Minister of Labour in 1953 and benefitted from its political consequences. Buonicore (2000) offers sufficient evidence on the matter.

¹⁹ This was also a symptom of the crisis which would finally lead to his suicide in 1954. The military were already conspiring, as well as the União Democrática Nacional (UDN), the right-wing party that indefatigably combated Vargas until the end (see Benevides, 1981). By sanctioning the law derogating the 'ideology statement' Vargas was waving to the communists and to the left in general, seeking for their support amidst the crisis (see Delgado, 1989).

²⁰ The exception is Buonicore (2000).

movement in a national perspective. The General Workers' Command (*Comando Geral dos Trabalhadores* - CGT) created in 1962 and controlled by the PCB until its destruction in 1964, was an autonomous central federation, created irrespective of the labour law's explicit provisions forbidding inter-category organizations²¹. The demand for an autonomous union structure by a parcel of the previous 1964 unionism, then, was materialized in a new organization in many respects similar to what the Central Única dos Trabalhadores (CUT) would become in 1983.

The same institutional, legal resources gave the proscribed communists a niche in which they could thrive and from which they would influence the political process. Just as the new unionists by the end of the 1980s, the communists and their PTB allies were virtually hegemonic in the Brazilian unionism at the doors of the 1964 military coup (Martins, 1989; Santana, 2001). And just as it would happen with the CUT in 1989, they were in control both of the autonomous CGT *and* of the major official unions, including most federations and confederations (Weffort, 1970).

Besides, the communists managed to organize workers down to the plant level. For instance, the communist-controlled Metal Workers' Union of the City of São Paulo, the largest metal workers' union in the country, had some 1,800 shop stewards when its board was sacked by the military in 1964 (Nogueira, 1997: p. 21). Since the CLT had no provisions for shop stewards, their presence resulted from union-to-firm collective agreements and it is a clear indication of the communists' grassroots militant strategy previous to 1964, as well as of the flexible character of the labour code in a non-repressive political environment (see also French, 2010).

²¹ The best study on the CGT is Delgado (1986). For the role of the PCB in it see also Santana (2001).

These very brief remarks should suffice to show how flexible was the ‘corporatist’ union structure from organized labour’s point of view. That’s why I used corporatist in quotes. The overall legal system was formally corporatist, but if the government was not explicitly anti-labour, corporatism was synonym to militancy for communists, left-wing PTB affiliates or Catholic militants, Marxists not aligned with the communists and independent leaders not aligned with the Ministry of Labour. The union structure did actually structure the union’s political market, but the ‘*ministerialistas*’ (unions directly controlled by the Ministry of Labour) were *one* amongst myriad other political and syndical affiliations. In the second half of the 1950s they were already a minority.

For instance, in 1960 a III National Workers’ Congress was held in Rio de Janeiro. The identity of all participants was defined in relation to the official union structure, either opposing or supporting it. The difference was basically the strength of these positions. Left-wing PTB and PCB militants wanted the end of the control of the Ministry of Labour over that structure, but not the end of the ‘union tax’ and the monopoly of representation granted to official unions. And the ‘*renovadores*’ (‘renovators’) comprised all sorts of left-wing militants not aligned with the PCB, including Catholic militants, independent socialists and Marxists, and independent union leaders, strongly opposing the union structure. The ‘*ministerialistas*’, or ‘*pelego*’ militants allied to or directly controlled by the Ministry of Labour opposed any reform²², but were a minority force (Martins, 1989: p. 82-86)²³.

²² *Pelego* is a term used in Brazilian labour movement to name official unionists. After 1945 this meant union incumbents named by the Ministry of Labour (the ‘*ministerialistas*’) or linked to the conservative factions of the PTB. In the 1970’s and 80’s it designated union incumbents imposed by the military government after the interventions of 1964 onwards. And after the democratization it denotes all union leaders opposing the reform of the union structure.

²³ In 1983 these same strategies were present at the congress that created the Central Única dos Trabalhadores (Unique Workers Central – CUT), though

But what were the communists and other militants fighting for? John French summarizes the picture: 'Condemned to act within the universe of fraud that was the CLT, which was stacked against workers, working-class activists and trade unionists after 1943 would in practice subvert the existing law through a fight to make the law, as imaginary ideal, real. In a Brazil where workers were drowning in laws but starving for justice, it thus makes complete sense for a *gaúcho* construction worker to confront the bosses with his well-worn copy of the CLT: "This is my bible" (French, 2004: 152).

Thus, the bulk of the Vargas's coordination mechanism can be restated as follows: Workers moved from rural areas to the cities in search for better living conditions. Especially after 1950, there they found State-protected jobs and a militant labour movement demanding the *effectiveness* of existing provisions for employed workers, and *extension* of those provisions to ever larger proportions of the working class, as well as a better place for workers both in the emerging democracy and the capitalist distribution of wealth. The restricted scope of the formal labour market and the employers' resistance to comply with the law has made a promise of all this, but for most workers a credible one, capable of feeding their desires and aspirations. The credibility of the whole system was assured *by the labour movement's* ability to make of labour rights the boundaries of its collective identity, which means that the very identity of the system was the production and reproduction of a project of the universal inclusion of all workers in the dynamics and benefits of 'organized capitalism'. The struggle for the effectiveness and efficacy of the legal social rights instituted by Vargas gave *stability* to the project, since the rights were embedded in the Constitution and thus worth

under different denominations, except for the PCB militants, now allied to the '*pelegos*' against any reform. The new unionists were the 1980's '*renovadores*', now a hegemonic force.

fighting for. It also made of the labour movement a central element in the consolidation of the Brazilian (restricted) Welfare State. And these were the very boundaries of Vargas's political project to give capitalism a legitimate, institutional, competitive, and State-controlled framework of development, the reality of which depended on workers' willingness to organize *and act* to make it real.

Authoritarianism confronts the Vargas Era

The civil-military rule of 1964-1985 would test the strength of the inclusive mechanism created by Vargas in unexpected ways. The authoritarian regime again banned the communists, silenced the labour movement and reinforced the dormant repressive features of the corporatist union structure (including the 'ideology statement'), and adding new ones. Some 760 interventions in unions took place in 1964-65, and the vast majority of the militants in unions with more than 1,000 affiliates were simply sacked, while many of them (especially the communists) were sent to prison (Martins, 1989).

However, strict and violent as it was, control over the labour movement was never totalitarian. Elections were never totally banned, as had occurred under Dutra. They were surely controlled, and divergence from the 'revolution's' aims was formally not tolerated. Nonetheless, in 1968 a series of strikes in the São Paulo and Belo Horizonte metropolitan regions showed that there was fire beneath the ashes²⁴. The official unions were under control, but militancy was not, or not completely. There appeared to be room for a renewed, autonomous unionism growing outside the grids of the State controlled corporatism.

²⁴ These crucial strikes were studied, among others, by Weffort (1972), Neves (1995) and Negro (2004).

And again, the 1968 Institutional Act No. 5 (AI-5) opened new avenues for the implacable repression against dissidence. As already noted, the AI-5 allowed the military to suppress the *habeas corpus*, close the National Congress and intervene in the Supreme Court. This left little place for any union action at all except, once again, controlled elections. But elections, even when controlled, are energetic moments. They mobilize strategic discourses in search for adherents, motivate part of the rank and file, involve actual voting procedures and open the way for dissidence, if this is intelligent enough to grow unnoticed to the panoptic but often myopic eyes of authoritarian rulers. One cannot explain the 'new unionism' without immediate reference to this subterranean process of militancy building under the military regime (Negro, 2004, esp. 279 ff.). Lula was elected for the first time in 1969 for a secondary position in the São Bernardo's Metal Workers Union (in the São Paulo Metropolitan Region), and again for its directing board in 1972, becoming its president in 1975 at the age of 30. Most new unionist leaders were already in office in presumed military-controlled unions. Many others were competing for the leadership of existing unions in 'controlled' elections against military-nominated union bureaucrats, and some of them would succeed²⁵.

It is of no minor importance that these new militants could thrive within and despite the military regime's control over unions. A good part of them had close connections with the Catholic Church's 'Pastoral Operária' and its 'Theology of Liberation'. In fact, if the Catholic Church had played a crucial role in the 1964 coup d'état, supporting the military and the conservative anti-communist wave that led to it, it was also crucial in the resistance to the dictatorship when it hardened the repression against

²⁵ For the role of the '*oposições sindicais*' (organized opposition to official unions) see Sluyter-Beltrão (2010), Antunes (1988), Nogueira (1997), Cardoso (1999b) and Negro (2004).

opponents. The Church harboured dissidents, organized workers in its 'pastorais', preached against assassinations and torture, deepened discourses and practices of its 'Theology of Liberation' and its 'option for the poor', students' movements were given safe places to organize their local or national congresses etc. 'The Church' here is an euphemism, of course, for this institution was never a monolithic ideological block, and part of its leadership organized official First of May (Labour Day) celebrations in conjunction with the military while combating communism in its homilies (Negro, 2004). Dominican monks were amongst the most energetic anti-dictatorship militants, and many would face torture, exile and death (see Ridenti, 2010: 146 ff. and *passim*). And in many junctures the National Confederation of the Brazilian Bishops (CNBB) have made public its positions against the dictatorship's violence and arbitrariness²⁶.

After the AI-5 public meetings and gatherings were virtually forbidden, but the Church's events were not. Within temples or in events coordinated by the Church many left-wing militants, most of which belonged to myriad Marxist groups that dissented from official communism, could gather and 'keep the flame burning' while waiting for more auspicious circumstances²⁷. Their survival *as militants* within the union structure must also be taken into account in the explanation of the rapid reorganization of the labour movement after 1978. Official unions would again be the vehicles of the union structure's renovation²⁸.

²⁶ Catholic militants were central to the 'new unionism' and to the decision to build a new political party. See Keck (1992), Löwy (2007) and Martinez (2007).

²⁷ Not all Marxist dissidents of communism joined the armed resistance to the dictatorship. Many fled the country before being forced to, others would adopt different names and occupations (many would get a manufacturing job), others would occupy the union structure etc. See Ridenti (2010), Karepovs and Leal (2007).

²⁸ It was probably Leôncio Martins Rodrigues (1989) who first called attention to this particular feature of the rapid reorganization of the labour movement after the strikes of 1978.

In any event, the control of the union structure by the military and the repression of the workers' movement disrupted the Vargas's coordination mechanism. It is true that the Brazilian economy boomed in the period. From 1968 to 1976 the mean annual GDP growth rate was of 10.1% (with a peak of 14% in 1973). The ideological climate was one of 'The Great Brazil', 'Brazil: Love it or leave it' and 'Go ahead Brazil!'²⁹. In 1976, 60% of the *urban* occupied labour force were in the formal sector (comprising private salaried workers, civil servants and self-employed workers contributing to social security), while in 1960 the rate was below 45%. The promise of formal inclusion seemed credible still. Rural workers continued to migrate to the cities in ever higher waves in search of better living conditions, but found nothing but low salaries, authoritarian work regimes³⁰ and silenced unions, now specialized in providing health and legal services to their affiliates (Rodrigues, 1966) instead of fighting for a project of redistribution and citizenship. That is, in spite of the ideological climate and the frantic responses to the economic boom, for most migrant workers the possibility of access to the labour and social rights linked to the formal labour market was an illusion rather than a credible promise. The increase in productivity and wealth was not transferred to wages. The mean minimum wage was equivalent to R\$654³¹.

²⁹ Free translations of 'Brasil Grande', 'Brasil: Ame-o ou deixe-o', 'Pra frente Brasil!', some of the various themes of official authoritarian propaganda which also included 'A developed people is a clean people', a wide educative campaign teaching people not to through waist on the streets...

³⁰ One of the best studies on the authoritarian work regimes in the auto industry in the 1970s is Humphrey (1982). The author combats the argument that auto-workers were a work aristocracy, as sustained by part of the literature on the 1978-79 strikes. On the same lines, Abramo (1999) is a classic analysis of those strikes as a fight for dignity at work.

³¹ According to IPEA, a research institute linked to the Ministry of Planning from which these data are withdrawn, considering the parity of purchasing power (PPP), the minimum wage was of US\$61 in 1976. Data can be gathered at www.ipeadata.gov.br by adding 'salário mínimo' in its search engine.

In 1976, 30 per cent of the *urban* occupied labour force earned less than one minimum wage. Sixty per cent earned less than 2 minimum wages³². At least 80% of workers in garment and textile industries earned 2 minimum wages or less³³.

The minimum wage was a central element of the military restrictive wages' policy, but not the only one. In 1966 increases in contractual wages in the private sector began to be defined by the government based on estimates of future inflation that would actually become *underestimates*. Workers' leaders who demanded increases above the official level could be legally laid off and even imprisoned based on the 'Law of National Security'.

Besides, employers could evade the labour law without retaliation either from unions or the State. In that respect, the military succeeded in disrupting the *legitimizing, political* moment of Vargas's mechanism, substituting it with sheer repression. At the same time, the military restricted and most of the time forbade *the struggle* for the effectiveness of labour rights, thus narrowing the boundaries of workers' inclusion in the capitalist dynamic to the operation of the brute force of the labour market. This created tensions that were at the very core of the authoritarian regime's dynamics, and helped exert pressure on its repressive frontiers in the very moment a fraction of the military elite decided to prepare its withdrawal from power³⁴. This, I argue here, explains the regime's inability to respond to the 'new unionism' when it became a *mass* movement of demand for better salaries and working conditions. And the *mass* character of the 'new unionism' cannot be explained without mentioning the regime's repression of the workers' demands for

³² For CLT provisions forbidding actions against economic policies, see Figueiredo (1978). For the minimum wage, Chapter 2 in this volume.

³³ All data on labour market and income processed from PNAD-1976 microdata.

³⁴ For the fractions in the military elite as part of the will to open the regime, see, among many others, Stepan (1986), and O'Donnell et al. (1986).

the effectiveness of labour rights – in particular, recovery of the purchasing power of wages.

The 'New Unionism' and the Vargas Era

In July 1977, public opinion was harnessed by the unveiling of the forgery of 1973's inflation index by the military regime. As I said, in 1966 the regime had imposed a restrictive wage policy that defined wage increases based on a fraction of past inflation and on an estimate of future price indexes. Official 1973 inflation figure was of 15.5%, but other sources found 20.5% based on alternative data. The DIEESE (Inter-union Department of Statistics and Socioeconomic Studies), a labour movement institution created in the mid 1950's, computed its own price index (the Living Cost Index – ICV) for the São Paulo Metropolitan Region. After the announcement of the official 1973 inflation index the DIEESE immediately contested the figures, but Brazil was at the apex of the military repression with most media under severe censorship, and this had no effect. In 1977 the São Paulo City Metal Workers' Union started a campaign to make public the DIEESE's index. A secret World Bank report to the government sanctioned this index, and parts of the report were finally published by the newspaper *Folha de S. Paulo* in July 31. An investigation carried out by the labour justice in the IBGE (Brazilian Institute of Geography and Statistics, responsible for the official price indexes) files in 1977 apparently found records with fraudulent interventions on the original 1973 surveyed prices, but this has never been proved³⁵.

The São Bernardo Metal Workers' Union asked DIEESE to estimate the wage losses due to this fraud, and the union's

³⁵ For media censorship during the military rule, see Dassin (1978) and Soares (1989). For the 1977 and 1978 bargaining and strikes, see Rainho and Bargas (1983: 39 and ff).

1977 wage bargaining demanded a wage increase of 34.1%. The campaign was not successful, for in November 1977 the labour court arbitrated an increase based on the official wage policy methodology. But it showed that the union was not dead. In May 1978 workers of the Scania Truck assembly plant in São Bernardo do Campo began a strike demanding a supplementary wage increase of 11%, and the movement spread to the entire metal workers' belt of the São Paulo Metropolitan Region, and from there to other 6 Brazilian States and thus to the entire country³⁶. The labour movement was back in the scene.

Workers joined in mass mobilizations in spite of the violent repression that came about, and the mass character of the movement made repression ever more costly and unpopular. Dignity at work, distributive justice, fairness in work relations, better work conditions were central issues in the process of the identity formation of the 'new unionism' (Abramo, 1999). This was also a crucial aspect of the novelty of the emergent collective movement.

It is true that the novelty of the 'new unionism' was constructed against a very simplified (and incomplete) version of the Vargas's coordination mechanism. The *alter* of the 'new' was a pattern of union action which the prevailing literature had characterized as corporatist, State controlled and devoted to political, not collective bargaining³⁷. According to this perspective, and contrary to what we have just seen, unions lacked effective control over their constituencies, had no plant level penetration,

³⁶ See also Keck (1988: 395-404).

³⁷ The literature on the matter abounds. Prominent and very influential arguments are those of Weffort (1970), Rodrigues (1968), Rodrigues (1966), Schmitter (1971), Erickson (1979), and Collier and Collier (1991). Strong critiques are Paoli et al. (1983), Paoli (1988) and Gomes (1988). A step further was proposed by Santana (1998) and French (2004). The latter names this the 'corporatist consensus'. A multidimensional revision may be found in Rodrigues ed. (1999). The literature on populism was criticized by Ferreira (2010).

were ineffective in collectively bargaining working conditions and were dependent of the State for wage bargaining. They were also controlled by political parties and served the parties' (not workers') interests as intermediaries in mass-manoeuvring the disorganized workers in populist political arrangements, and derived their legitimacy from this connection, not from direct, *autonomous* representation of workers' interests. For most of this literature the CLT had a 'narcotic' effect on union action: On the one hand, it assured union survival irrespective of the number of affiliates, because of the 'union tax'; on the other hand, it regulated work contracts in a way that made collective bargaining unnecessary³⁸. Union leaders had pragmatically relinquished their autonomy by adhering to the CLT benefits, which freed them to act as political, not union leaders.

The 'new unionism' was viewed as the opposite of all that³⁹. Most of all, it was *autonomous* vis-à-vis both the existing political parties and the State repressive apparatus, the two main control mechanisms of the previous 1964 era. Its main leader, Lula, would repeat that the CLT was the workers' AI-5, and that it should be completely banished. In his words, this would finally bring down the Vargas Era, totally renew Brazilian unionism and modernize the country's labour relations⁴⁰.

This dichotomous interpretation is no longer sustainable, of course. A vigorous new labour historiography has put the events of the 1980s in perspective, and the 'new' emerged as heir

³⁸ The idea of a 'narcotic effect' of the union structure is in Cardoso (1969, republishing a paper of 1962) and is repeated by Rodrigues (1966) and Rodrigues (1968).

³⁹ An important and influential statement of the novelty was proposed by Tavares de Almeida (1983).

⁴⁰ This approach led an important analyst of the Vargas Era to immediately acknowledge the new unionism's *modernity*. Its main feature would be the denial of traditional, electoral politics and the proposition of a project of political mobilization anchored in civil society. See Werneck Vianna (1991).

of a multidimensional and complex past. From this revision's standpoint, neither the 'old' was that old, nor the new completely novel⁴¹. But it is my view that revisionism has gone too far. In many respects the 'new unionism' was actually new. First of all, thanks to the military regime the previous left-wing political elite had been virtually wiped out of the political arena by 1978. Those who had survived in the exile would return in 1979 amidst the effervescence of the anti-military movements headed by the 'new unionism'⁴², and they had to cope with a social force over which they had no institutional power, little political influence and about which they knew little or nothing. Most of all, this social force was building its identity as new *against* that of a parcel of the returning militants, who were blamed by many for the failure of the pre-1964 democratic experience⁴³. The CUT was created in 1983 *opposing* the remaining communists and old '*pelego*' bureaucrats, thus establishing a clear-cut with past labour movement militants.

Secondly, the working class was also new. In 1978 most of 1964 workers had already retired or were considered too old in an urban labour market that had to open room for two million or more new entrants every year as a result of migration and natural population growth (Faria, 1983). New unionists were young themselves. Lula and the prominent oil workers' leader Jacó Bitar, two major new unionist militants, were both around 30 years old. Bank workers union directors (such as Gilmar Carneiro) were even younger, so were the leaders of the

⁴¹ The strongest statement in that direction is certainly Santana (1998). See also Negro (1999 and 2004).

⁴² The Amnesty Act was enacted in August 1979, after which banned figures such as Leonel Brizola and Miguel Arraes, two top PTB leaders, and Luis Carlos Prestes, Giocondo Dias and other communist top figures would return to Brazil.

⁴³ The strongest argument blaming the communist-populist strategies for the military coup is Weffort (1970). The best explanation of the political causes of the coup is Santos (2001).

São Paulo Teachers' Association (APEOESP). Many of these militants had had no contact whatsoever with the previous 'populist' or communist militants. And those were some of the most influent leaders amongst the new unionists.

Thirdly, and apart from the fact that new militants were emerging in a renewed socioeconomic environment, according to the 'new unionism' the renovation of labour relations in Brazil should include a national collective contract freely negotiated between workers' and employers' central federations, which would be created as part of a reform of the union structure that would ban the 'union tax' and ratify ILO's Convention 87 on freedom of association, among other central issues⁴⁴. If accomplished, this would represent the end of a central aspect of the Vargas project, for labour relations would change from its *legislated* historical shape to a new *contractual* scenario anchored in free unions.

Indeed, the 'new unionism' did contribute to a partial but yet important renovation of the corporatist union structure while thriving within it (Cardoso 1999a). While only 14% of all unions were affiliated to the CUT in 1989, this included all major public sector unions, both in the direct and the indirect administrations; all major unions of metal, mechanic, chemical, bank, oil, electricity, urban services, transports, not to mention the vast majority of rural workers' unions which were affiliated to a central federation, were all CUT affiliates.

⁴⁴ Literature on this project abounds. An excellent recent analysis of the dilemmas and difficulties faced by their proponents is Sluyter-Beltrão (2010). Some pre-1964 currents preached in favour of the ILO's Convention 87 and of collective contracts in place of the CLT, but they have never been *hegemonic* in the union's market of political exchange. After the 1958's 'Declaration of March' (see below) the Brazilian Communist Party (PCB), now a Brazilian Labour Party (PTB) ally, would oppose any reform to put an end to the 'union tax' and the monopoly of representation of official unions in a given jurisdiction (known as *unicidade sindical*) (Santana, 2001).

In the 1990's the CUT would slowly but steadily consolidate a parallel federation and confederation structure to compete with the corporatist, bureaucratic bodies ruled by old '*pelego*' administrators⁴⁵, thus organically coordinating the action of its affiliates. As a consequence, the new unionists would enlarge the scope of workers' rights in a wide array of economic sectors, sometimes far beyond the CLT provisions. Contractual rights concerning working conditions, safety at work, shop floor union representatives, rights to information and access to workers at the plant level, regulation of working hours, work shifts, fringe benefits such as transport, food, housing and health subsidies are among the new issues negotiated by the 'new unionism' for millions of workers, especially after 1980⁴⁶.

Finally, the Workers' Party (PT) – the necessary political element that, in Vargas's double-bonding mechanism, should be responsible for the construction and generalization of a working-class based political project of redistribution and citizenship under capitalism – was not the Brazilian Labour Party (*Partido Trabalhista Brasileiro* - PTB). This party had been created by Vargas in 1945 and has always been controlled by members of the capitalist elite and the urban middle classes (Benevides, 1989). Some union leaders had been PTB militants, but at least

⁴⁵ The union structure designed in 1939 by the Vargas regime and still in effect is composed of local, municipal unions; federations congregating at least five unions of the same category of workers in a federated State; and confederations of at least three federations. The legal federations and confederations have little, if any bargaining power today, but they are still entitled to a share of the union tax. This has created an incentive for the reproduction of a federation-confederation system which is completely isolated from the labour movement but which has access to funds, which finance the '*pelego*' leaders. This has stimulated the creation of the CUT's parallel system.

⁴⁶ For these issues, see Sluyter-Beltrão (2010). It is true that the communists had succeeded in negotiating similar new rights before 1964, and it is still an open question whether the larger number of workers benefiting from these rights after 1978 (a quantitative criterion) resulted from important qualitative differences in unions' actions.

after 1954 the union market was increasingly dominated by the PCB. In March 1958 the PCB reviewed its political position and decided that the party would ally with the 'nationalist forces' of the nation to help deepen the country's economic development as a way to combat the 'Yankee imperialism' and resolve the 'structural contradiction between feudalism in the countryside and modern capitalism in the cities'. Amongst the prescribed strategies was the occupation of the union structure. In 1961 this alliance controlled 5 of the 6 existing official confederations and most of the major local federations and important unions⁴⁷. In practice, the PTB became an electoral machine closely linked to the PCB's grassroots labour militancy. The PT, on the contrary, was created in 1980 by that very militancy. True, it gathered not only union leaders, but also Catholic Church activists, prominent middle class intellectuals and communist dissidents of all sorts, many of which coming from the students' movement, all of them notorious anti-dictatorship militants. But its working-class roots were clear enough (Martinez, 2007), and these would be reaffirmed by the creation of the CUT in 1983 by the very same core militant workers that had created the PT three years before.

From this point of view, the main novelty of the 'new unionism' was the proposition of a project of inclusion of workers in the emerging post-dictatorial sociability *constructed from below*. Its identity was also *socialist*, though the nature of the movement's socialism has never been clear except for its anti-communist and anti-capitalist character. A socialism built from below based on mass mobilization in the cities and the countryside, headed both by the political party (PT) and the central federation (CUT), each playing complimentary roles in bringing ever more adherents to the project, that in the process

⁴⁷ For the political divisions within the labour movement in the 1960-64 period, see Martins (1989) and Erickson (1979).

would shape the nature of their socialism: this was always the proposal of leaders such as Lula in 1980 and Jair Menegheli (president of the CUT from 1983 to 1994). In this respect, the ‘new unionism’ was certainly another *intent* to overcome the boundaries of Vargas’s coordination mechanism, now from below, since the identity of workers’ movement was shaped against and in opposition to capitalism and its State, contrary to Vargas’s project of giving a State-organized capitalism a legitimating mechanism.

Vargas and neoliberalism

All that notwithstanding, the ‘new unionism’ would renew the coordination mechanism of the capitalist sociability in Brazil in a way that would certainly appeal to Vargas. The Workers’ Party would soon win elections in important cities and States, and its socialist discourse had to face the challenges of the practical administration of a peripheral and poor capitalism. Restricted public budgets in a highly inflationary economy expanded workers needs beyond the State’s ability to address them⁴⁸, and the PT administrations would sooner or later confront the CUT, especially its public sector affiliates⁴⁹.

On the other hand, and again very unexpectedly from a 1980’s perspective, in the 1990’s a good majority of the new unionists would become resolute supporters of the CLT and the major institutions of the Vargas era. One of the main reasons for this, as I show in Chapter IV, is the fact that in Brazil as well as in

⁴⁸ PT’s first decisive electoral achievement was in the 1988 elections for the council of cities such as São Paulo, Porto Alegre, Vitória, all capital of their respective States, and of São Bernardo do Campo, Campinas and a few others in the State of São Paulo, the party’s cradle. In 1985 it had won the elections in Fortaleza, capital of Ceará.

⁴⁹ An important study on the PT’s trajectory and its (sometimes turbulent) relations with the labour movement is Ribeiro (2008).

most Latin American countries, neoliberal policies undermined the main pillars of the workers' movement. Fernando Henrique Cardoso was elected in 1994 with a modernizing discourse, the backbone of which was again the erasure of the 'Vargas Era' (as had been Fernando Collor de Mello's, for that matter⁵⁰). Structurally, employment in manufacturing, banks, state-owned companies and public sector at large shrank dramatically as a direct result of those policies. From 1988 to 1998, 1,7 million formal jobs were lost in manufacturing, 500 thousand in finance, 450 thousand in privatized State companies (Cardoso, 2003: 228-31). At the federal and provincial levels, near 300 thousand jobs in the direct administration were lost, and if we consider the three administration levels (federal, provincial and municipal), more than 900 thousand jobs were destroyed. Formal employees are the clientele of unions in Brazil, for they represent registered workers only. Considering the entire economy, the loss of registered jobs was of almost 2,4 million, and 8 out of every 10 new jobs created in the period were informal ones, thus lying outside the reach of the labour movement. The formal labour market shrank from 56% to 40% from 1990 and 1999 (idem: 42-43).

Rising open unemployment rates (from 4% in 1990 to 8% in 1999) reduced workers' bargaining power, unions lost funds and capacity for collective action and grassroots mobilization, collective bargaining became concession bargaining, real wages fell nationwide, constitutional labour rights related to working hours, wages and types of labour contracts were flexibilized, etc.⁵¹ New unionism's proposed renovation of the Vargas Era

⁵⁰ Collor was elected president in 1989 against Lula. He too had a radical, anti-'Vargas Era' neoliberal project, but could not implement it for he was impeached in mid-1992.

⁵¹ For the Latin American case, see Cardoso and Gindín (2009), and also Cook (2007) and Berg et al (2006: 167 ff.).

from below was hit by market forces that the State had unleashed but which the labour movement could neither control nor tame. In this insecure scenario, the labour law appeared to most union leaders as something worth fighting for, and even the proposed reform of the union structure was put on hold. In a neoliberal, catastrophic scenario, the ILO's Convention 87 sounded like an invitation to organizational suicide. The official union structure was turned into the trench from which workers' leaders would try to survive neoliberalism.

Cardoso's was surely the most systematic attempt to put an end to Vargas's coordination mechanism. Neoliberalism depoliticized the economy and tried to implement a *new* coordination and cohesive mechanism: market efficiency topped up with liberal democracy. A minimal State, the market as the main regulation mechanism, weak unions and social movements, and the vote as the exclusive instrument of individual participation were all antipodes of the project of nation-building based on State-led capitalism, with some sort of social inclusion via redistributive social policies anchored in workers' organizations and social movements. No wonder that the 1990s would surprise the new unionists fighting for the effectiveness of the CLT (then subject to flexibilization policies⁵²) while competing for power at all levels of the public administration (municipal, state, and federal) and preaching against neoliberalism and for the strengthening of civil society and State institutions. Vargas's spectre was apparently back.

The Vargas's spectre

After a purely left-wing coalition put together for the federal electoral campaigns in 1989 and 1994, in 1998 the PT

⁵² I analyse this extensively in Cardoso (2004).

and its traditional left-wing allies opened their coalition to left-centre forces, and in 2002 it won the national elections with a wide centre-based coalition. However, in spite of its clear pro-capitalist shape, this coalition had to fight a strong confidence deficit during the presidential campaign, since in the 1990s the PT and its social movement allies had become the hegemonic actors in the anti-neoliberalism political faction. In 2002 Brazil was at the doors of bankruptcy due to the failure of neoliberal rationale. I don't have the space to go through this here, but in January 1999 Brazil had to devalue its currency after a series of crisis that had shaken Asia and Russia in 1998. This sealed Cardoso's fate, for he had won the 1998 elections against Lula promising not to devalue. Brazil had spent some 40 billion dollars (from an IMF loan) in 50 days trying to secure its currency, to no avail. The years of the second Cardoso's term were of rising inflation, unemployment, public debt and State fiscal crisis, while real wages kept on falling⁵³. In face of the crisis, Lula had to make public a 'Letter to the Brazilians' in which he defended the main pillars of the on-going macroeconomic policies to prevent speculative attacks on the country's fragile economy. Central Bank independence, fiscal austerity, inflation targeting and currency stability, that is, macroeconomic neoliberal orthodoxy, would all be maintained in the new administration. The critical socioeconomic circumstances had apparently forced too strong a move to the centre of the political spectrum, away from a project of State-led social transformations that had been the core of the PT's political identity – away from Vargas.

However, once elected the new government would bring about a vast array of new concertation mechanisms. Organized labour and organized civil society were brought into play in the

⁵³ By the end of 2001 the neoliberal government was approved by no more than 18% of the population (Cardoso, 2003).

new government. The Landless Workers' Movement (*Movimento dos Trabalhadores Rurais Sem Terra – MST*) became a strategic interlocutor of the Ministry of Agrarian Reform; the Ministry of Labour was headed by the CUT, its union leaders and technicians; the Ministry of Health was occupied by egresses of the health workers' movement that had been present in the very birth of the Workers Party as one of its major middle class factions (along with academic organizations of all sorts); former new unionist labour leaders were appointed to offices in strategic state owned companies, such as Petrobras (oil production), Furnas (electricity production), Bank of Brazil, Embrapa (Brazilian Company for Agrarian Research), Eletrobras (electricity) and many others. The new unionism had finally accomplished Vargas's 1954 premonition. In a discourse directed to workers in the First of May, weeks before his suicide, he would perhaps rhetorically say that 'today you are *with* the government. Tomorrow you *will be* the Government' (Vargas, 1969: p. 473, emphasis added).

If the macroeconomic neoliberal rationale was shielded away from the political battles, substantive aspects of the policy making were not. It is true that PT and CUT have abandoned their strict socialist discourses, but the consequence of these participatory decision-making processes was the implementation of a project of universal inclusion in the capitalist dynamics via amelioration of the living conditions of the poor, and mass inclusion of lower middle classes and poor strata in the consumption market through subsidized credit mechanisms, redistribution of income⁵⁴, economic growth and, most

⁵⁴ Two main mechanisms of redistribution were created. The 'Bolsa Família', a minimum income's policy for families with per capita income of less than one dollar per day (now reaching some 40 million individuals); and real increases in the minimum wage, which affected the income of some 16 million households. The redistributive consequences of these policies are measured by Soares et al. (2006), Soares (2011) and Rocha (2012).

importantly, employment creation⁵⁵. All this was achieved under strict macroeconomic stability measures aimed at controlling inflation. The combination of these elements was a complete novelty in Brazil, since mainstream economic wisdom has traditionally sustained that growth is inflationary, and so are income's policies⁵⁶. This project, it should be emphasized, *met the expectations of most Brazilians*⁵⁷, and does explain most of Lula's success, especially in his second term (2007-2010).

But popular support for successful inclusive policies was not the whole of it. From the perspective proposed here, the inclusion of organized society in many core federal administration agencies has distinguished Lula's government in crucial ways. True, under Lula organized labour has become 'the government', thus fulfilling Vargas's 1954 premonition. But this does not mean that the Vargas project has finally come true. Workers have become 'the government' not as a result of direct working class mobilization by strong unions as envisaged by Vargas. In 2002 the formal labour market harboured not more than 55% of salaried workers (which means that 45% were not protected either by collective bargaining or the labour law), and union density was 19% of the salaried workforce, the decline a direct result of Cardoso's neoliberal policies (Cardoso and Gindin, 2009). In many respects, workers' access to State power

⁵⁵ During the Cardoso period, 8 out of 10 jobs created were informal. From 2003 to 2010, the equation was reversed, and 15 million formal jobs were created, a record in Brazilian history. See Neri (2010).

⁵⁶ A good recent analysis of this wisdom is Wanderley Guilherme dos Santos 'Lula e sua herança', in <http://www.cartacapital.com.br/politica/lula-e-sua-heranca>.

⁵⁷ In Oct 2010 president Lula was approved by 85% of the Brazilians, while 77% evaluated his government as good or very good. See <http://oglobo.globo.com/pais/eleicoes2010/mat/2010/10/01/avaliacao-do-governo-lula-bate-recorde-diz-ibope-922675872.asp> (visited in Jan. 2011).

was achieved while the workers' movement was in its nadir⁵⁸. Lula was an offspring of it, but the movement alone would never guarantee his electoral success.

Besides, Brazil had become a mass democratic society opened to the vote of all citizens 16 years or older. The PT had certainly become the main electoral machine of organized civil society, from which most of its militants were recruited (Ribeiro, 2008). No other political party in Brazil had ever achieved that in scope and depth, but the 2002 coalition would not have won the national elections were it not for the support of the other, 'disorganized' voters: housewives, retirees, students, salaried and self-employed workers that remained outside the reach of the labour law. Most of these social categories were *not* included in the political process in the 1950s and were certainly not envisaged by Vargas as potential voters⁵⁹. They were *not* a direct consequence of the Vargas institutional machinery. What were all these people voting for when they decided to support a political coalition the project of which was unclear from the start?

On the one hand, the resounding failure of strict neoliberalism opened way to oppositional projects, and the PT and its allies were the incontestable hegemonic anti-neoliberal forces. They were an obvious electoral option. On the other hand, PT's political discourse and previous administrative practices were based on an overarching ideal of social solidarity, citizenship and social justice that apparently seemed *credible* to the majority of voters. Its proponents had an identifiable history of struggle, whether in civil society or in office in cities and

⁵⁸ During Cardoso's administration the annual number of strikes fell from 1.000 in 1994 to 500 in 1999 and less than 300 in 2002. See Cardoso and Gindin (2009: Graph 4).

⁵⁹ Brazil had near 50 million inhabitants in 1950, and 15 million registered voters (or 30% of the population). In 2000 109 million out of 170 million Brazilians were voters (or 64%). Data in www.IBGE.gov.br.

States⁶⁰. Rebuild the State, reconstitute the social fabric, bring solidarity back in: this was the core of Lula's campaign discourse in 2002⁶¹. All this certainly resonates with the Vargas project. But the Vargas world had actually been left far behind. I will end with some brief remarks on the topic, central to the understanding of the nature of the Vargas coordination mechanism.

Conclusion

The 'new unionism' has finally fulfilled Vargas's forecast. Workers have become 'the government'. Lula has impersonated the trajectory of the poor rural migrant that comes to the city in search of better living conditions and finds a formal job and a State-controlled channel of political participation. From this protected realm of the country's evolving capitalism (the formal labour market and its regulatory institutions, unions included, all of which part of Vargas's coordination mechanism) he has headed the construction of a political party that has slowly become hegemonic in the left-wing political spectrum with a bottom-up project of erasure of the 'Vargas-era'. This project was not one of a renewed capitalist sociability. The aim was a socialist society, loosely defined as 'socialism' may have been from the beginning. The socialist project was finally (and pragmatically) abandoned in favour of a political program based on solidarity and social justice when the PT started winning elections around the country. State power became the main target of the new unionists and their allies. Labour and social

⁶⁰ Two policies among myriad others can be mentioned here: the participative budget implemented in Porto Alegre by Olivio Dutra in 1989, extended to many other cities in the 1990s; and the subsidies to poor families that kept children in school, implemented in Brasília by Cristovan Buarque in the early 1990s, which was the first minimum income's policy in Brazil and set the parameters for Cardoso's 'Bolsa Escola' and Lula's 'Bolsa Família'.

⁶¹ See Ribeiro (2008), among hundreds of others.

movements became the cradle of new political elites, and once in office, they would occupy many of the most strategic positions of public administrations, which they obviously shared with their allies.

When neoliberalism gained momentum, this project of State-led capitalism was equated with the Vargas-era, for it was presumably sustained by elites nurtured by the ‘union tax’ and other ‘illegitimate’, heteronymous mechanisms inherited from an unwanted past. Fernando Henrique Cardoso would actually name left-wing militants ‘*a vanguarda do atraso*’ (‘the rearward vanguard’), and his project of reform of the CLT was explicitly designed to put an end to those institutions. Cardoso was probably not aware that those legacies had actually bonded the capitalist sociability in stable and profound ways, making *tolerable* the country’s social inequalities and iniquities from the workers’ perspective. The wish for a State-protected job was the wish for socioeconomic security, which could open an avenue to upward social mobility and to better living conditions either for oneself or for one’s children. This was a central element of Vargas’s double coordination mechanism that stabilized capitalist accumulation in Brazil. Neoliberalism resulted in mounting unemployment and falling wages, to be dealt with by workers’ investments in their own employability. The State was rubbed from workers’ horizon of expectations and aspirations, putting nothing in its place but the market, the dominion of the fittest. This political vacuum was occupied by the PT and its allies, who were accused of trying to revive the Vargas era. When workers finally ‘got there’, the analogy was already set.

The analogy is misleading. It has always been used by interested parties in the political arena to label supporters of any broad or diffuse program of State-led economic development. It has been part of the ideological disputes over the destinies of the nation, and in the 1990s modernity was a synonym for the

market, not the State. Once in office, Lula would praise Vargas for his social policies while condemning his authoritarianism, and this added to the identity of his presidency as anti-neoliberal. In both cases the Vargas Era was a figure of political rhetoric, and served to mark positions in the political and electoral field. This is undoubtedly proof of the strength of Vargas's figure, but is there anything of substance under the surface of political marketing?

Vargas's institutional machinery is still here. The CLT still constitutes the labour market's institutional bones⁶². The majority of workers would prefer a formal job if they could choose. Unions are still financed by the 'union tax' and have the monopoly of representation in a given jurisdiction. The 1988 Constitution freed unions from State control, thus changing the 1939 provision according to which unions had to be homologated by the Ministry of Labour, which had legal control of union affairs, including elections, budget, expenditures etc. The Constitution provided that unions no longer had to register with the public authority. Nonetheless, because workers' and employers' organizations were still entitled to tax their constituencies – the new Constitution maintained the 'union tax' – labour courts were flooded with complaints from unions created in the jurisdiction of already existing organizations demanding access to the 'union tax'. In response to that, in 2003 the Supreme Labour Court established that the Ministry of Labour should decide which union represents which workers in a given jurisdiction. The 'spirit' of the Constitution, which was inclined to consecrate freedom of association and union autonomy from State control, was importantly reversed by the Supreme Labour Court in 2003. Since then, unions must

⁶² After 1998 many flexibilization measures were approved in Congress by the Cardoso administration. But the overarching, protective rationale of the CLT is still alive.

register with the Ministry of Labour again, and this authority has the power to guarantee the monopoly of representation of the chosen union (Cardoso and Gindin, 2009).

Besides, in 2008 the central federations had their project of being funded by a share of the 'union tax' approved by the National Congress. With this instrument the Lula administration has assured a stable funding mechanism for the reproduction of labour movement-based political elites. Once in government, top union leaders have pragmatically relinquished the project of reform of the CLT, since workers and social movements have become important elements of the government's capillarity in civil society. From this point of view, workers were really 'the government', and in office they were concerned with the survival of their cradle institutions, that is, the partially renovated union structure inherited from Vargas and the social movements in one way or another linked with the PT and its allies.

On the other hand, Lula and allies have brought the State back in, at least in two important ways. First, the PT administration has partly re-politicized the economy. The neoliberal macroeconomic orthodoxy was still shielded from political disputes, but the State has become a central engine of economic growth by directly investing in infrastructure and financing private investment with subsidies of all sorts. This was possible because Brazil has its National Bank of Economic and Social Development (BNDES), created by Vargas back in the 1950s, which has been the main instrument of the government's rapid response to the 2008 subprime crisis. The bank financed employment policies, private and infrastructure investments and company mergers with subsidized interest rates⁶³.

⁶³ BNDES' main resources come from the Workers Aid Fund (*Fundo de Amparo ao Trabalhador* - FAT), a contributive fund charged on private companies which finances unemployment insurance and the wage bonus (every worker earning 2

Secondly, the State was again the main means of coordination of the capitalist sociability, a role neoliberalism had tried to hand to the market. This is not pure political rhetoric. By offering the population at large a credible project of socioeconomic inclusion and security, and by struggling alongside opposition forces to implement it, the State has once again fed workers' expectations and aspirations. This has again bonded the fate of the Nation with that of its population, thus giving capitalism a smooth pathway to thrive. President Vargas was the first to incarnate this project in Brazil. Lula has been its most recent impersonation. And the majority of the Brazilians have approved it.

The Vargas machinery was an encompassing political project of nation-building and consolidation of the bourgeois order, which gave workers a solid institutional trench from which their leaders could thrive and find their way in the political arena, while struggling for better living conditions in the present. The machinery is still vivid and active, for workers still dream about a formal job, and union leaders still take the CLT as an important parameter of their collective action. But the horizon of the workers' movement is no longer *limited* within the borders of the labour code. Workers' leaders are now facing the challenge of administering the capitalist State much beyond the needs and boundaries of the world of work. And this was certainly envisaged by Getúlio Vargas back in the 1950s.

minimum wages or less is entitled to one Christmas minimum wage bonus per year). See Cardoso Jr. et al. (2006).