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Brazil: Extractive Capitalism and the Great Leap Backward

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Introduction

Brazil has witnessed one of the world's most striking socio-economic reversals in modern history: from a dynamic nationalist industrializing to a primary export economy. Between the mid 1930's to the mid 1980's, Brazil averaged nearly 10% growth in its manufacturing sector largely based on state interventionist policies, subsidizing, protecting and regulating the growth of national public and private enterprises. Changes in the 'balance' between national and foreign (imperial) capital began to take place following the military coup of 1964 and accelerated after the return of electoral politics in the mid-1980's. The election of neo-liberal politicians, especially with the election of the Cardoso regime in the mid-1990's, had a devastating impact on the strategic sectors of the national economy: wholesale privatization was accompanied by the denationalization of the commanding heights of the economy and the deregulation of capital markets.[1] Cardoso's regime set the stage for the massive flow of foreign capital into the agro-mineral, finance, insurance and real estate sectors. The rise in interest rates as demanded by the IMF and World Bank and the speculative market in real estate raised the costs of industrial production. Cardoso's lowered tariffs ended industrial subsidies and opened the door to industrial imports. These neo-liberal policies led to the relative and absolute decline of industrial production.[2]

The Presidential victory of the self-styled "Workers Party" in 2002 deepened and expanded the 'great reversal' promoted by its neo-liberal predecessors. Brazil reverted to becoming a primary commodity exporter, as soya, cattle, iron and metals exports multiplied and textile, transport and manufacturing exports declined.[3] Brazil became one of the leading extractive commodity exporters in the world. Brazil 's dependence on commodity exports was aided and abated by the massive entry and penetration of imperial multi-national corporations and financial flows by overseas banks. Overseas markets and foreign banks became the driving force of extractive growth and industrial demise.

To gain a better understanding of Brazil's 'great reversion' from a dynamic nationalist-industrializing to a vulnerable imperial driven agro-mineral extractive dependency, we need to briefly review the political-economy of Brazil over the past fifty years to identify the decisive 'turning points' and the centrality of political and class struggle.

Military Model: Modernization from Above

Under the military dictatorships (1964-1984) economic policy was based on a hybrid strategy emphasizing a triple alliance of state, foreign and national private capital[4] focused primarily on industrial exports and secondarily on agriculture commodities (especially traditional products like coffee).

The military discarded the nationalist-populist model based on state industries and peasant cooperatives of the ousted leftist President Goulart and put in place an alliance of industrial capitalists and agribusiness. Riding a wave of expanding global markets and benefiting from the repression of labor, the compression of wages and salaries, comprehensive subsidies and protectionist policies , the economy grew by double digits from the late 1960's to the mid 1970's, the so-called "Brazilian Miracle"[5]. The military while ending any threats of nationalizations, put in place a number of 'national content' rules on the foreign multi-nationals which expanded Brazil 's industrial base and enlarged the size and scope of the urban working class especially in the automotive industry. This led to the growth of the metal workers union and later the Workers' Party. The 'export model' based on light and heavy industry, foreign and domestic producers, was regionally based (southeast). The military modernization strategy heightened inequalities and integrated the local 'national' capitalists to imperial MNCs. This laid the groundwork for the onset of the anti-dictatorial struggles and the return of democracy. Neo-liberal parties gained hegemony with the turn to electoral politics.

Electoral Politics , the Rise of Neo-Liberalism and the Ascendancy of Extractive Capitalism

The electoral opposition which succeeded the military regimes was initially polarized between a liberal, free market, agro-mineral elite allied with imperial MNC and on the other hand a worker, peasant, rural worker and lower middle class nationalist bloc, intent on promoting public ownership, social welfare, the redistribution of income and agrarian reform. Militant labor formed the CUT; landless peasants formed the MST and both joined the middle class to form the PT[6]

The first decade of electoral politics 1984-94, was characterized by the tug and pull between the residual statist capitalism inherited from the previous military regime and the emerging liberal 'free market' bourgeoisie. The debt crises, hyper-inflation, massive systemic corruption, the impeachment of President Collor and economic stagnation severely weakened the statist capitalist sectors and led to ascendancy of an alliance of agro-mineral and finance capital, both foreign and local capitalists, linked to overseas markets. This retrograde coalition found their political leader and road to power with the election of Fernando Henrique Cardoso, a former leftist academic turned free market zealot.

The election of Cardoso led to a decisive break with the national statist policies of the previous sixty years. Cardoso's policies gave a decisive push toward the denationalization and privatization of the economy, essential elements in the reconfiguration of Brazil 's economy and the ascendancy of extractive capital[7]. By almost all indicators Cardoso's ultra neo-liberal policies led to a precipitous great leap backward, concentrating income and land, and increasing foreign ownership of strategic sectors. Cardoso's "reform" of the economy at the expense of industrial labor, public ownership, landless rural workers provoked widespread strikes and land occupations[8]. The 'extractive economy' especially the opening of lucrative sectors in agriculture, mining and energy took place at the expense of the productive forces: the relative position of manufacturing, technology and high end services declined. In particular labor earnings as a whole declined as a percentage of GNP[9].

The average growth rate of industry declined to a paltry 1.4%. Employment in the industrial sector fell by 26%, unemployment rose to over 18.4%, the 'informal sector' rose from 52.5% in 1980 to 56.1% in 1995[10].

Privatization of public enterprises like the giant and lucrative telecommunication firm Telebras led to the massive firing of workers and subcontracting of labor at lower wages and without social benefits. Under Cardoso , Brazil had the highest rates of inequality (Gini coefficient) in the world – bar one country.

Cardoso used state subsidies to promote foreign capital especially in the agrarian export and mining sectors while the small and medium size farmers were starved for credit. His program of financial deregulation led to currency speculation, massive windfall profits for Wall Street banks as the regime raised interest rates by over 50%[11]. Bankruptcy of farmers led to their dispossession by agro-export capitalists. Concentration of land took a decisive turn as .7% of large landowners owning farms over 2,000 hectares increased their acreage from 39.5% to 43% of Brazilian farmland[12].

During Cardoso's eight years in office, (1994-2002) there was a tsunami of foreign investment: over $50 billion flowed in just the first 5 years – ten times the total of the previous 15 years[13]. Foreign owned agro-mineral companies among the top foreign owned companies (as of 1997) numbered over one-third and growing. Between 1996-1998 foreign MNC acquired eight major food, mining and metal production firms[14].

Cardoso's neo-liberal policies opened the door wide open for foreign capital takeover of critical industrial and banking sectors. Nevertheless, it was the subsequent "Workers Party" presidents Da Silva and Rousseff who completed the Brazilian economy's Great Leap Backward by decisively turning to extractive capital as the driving force of the economy.

From Neoliberalism to Extractive Capital

Cardoso's privatizations were sustained and deepened by the Lula regime. Cardoso's outrageous privatization of the Vale do Doce iron mine at a fraction of its value was defended by Lula; the same was the case with Cardoso's defacto privatization of the state oil company Petrobras. Lula embraced the restrictive monetary policies, budget surplus agreements with the IMF and followed the budgetary prescriptions of the IMF directors[15].

The Lula regime (2003-2011) took Cardoso's neo-liberal policies as a guide to further reconfigure Brazil 's economy to the benefit of foreign and domestic capital located now in the primary, raw material export sector. In 2005 Brazil exported $55.3 billion dollars in raw materials and $44.2 billion in manufacturing goods; in 2011 Brazil tripled its raw material exports to $162.2 billion while its manufacturing exports increased to a mere $60.3 billion[16].

In other words the difference between the value of raw material and manufacturing exports increased from $13 billion to over $100 billion in the last 5 years of Lula's regime. The relative de-industrialization of the economy, the growing imbalance between the dominant extractive and manufacturing sector illustrates the reversion of Brazil to its 'colonial style of development'.

Agro-Mining Capitalism, the State and the People

Brazil 's export sector benefited enormously from the rise in commodity prices. The prime beneficiary was its primary agro-mineral sector. But the cost to industry, public transport, living conditions, research and development and education was enormous. Agro-mineral exports provided great revenues to the state but also extracted great subsidies, tax benefits and profits.

Brazil 's industrial economy was adversely affected by the commodity boom because of the rise in the value of its currency, the real by 40% between 2010 – 2012 which increased the price of manufacturing exports and decreased the competitiveness of manufacturing products[17]. The "free market" policies also facilitated the entrance of lower priced manufactured goods from Asia, particularly from China . While Brazil, primary exports to China boomed, its manufacturing sector, particularly consumer goods like textiles and footwear, declined from 2005-2010 by over 10%[18].

Under the Lula-Rousseff regimes, the extreme dependence on a limited number of commodities led to a sharp decline in the productive forces, measured by investments in technological innovations, especially those related to industry[19]. Moreover, Brazil became more dependent than ever on a single market. From 2000 to 2010 Chinese imports of soy – the major agro export – represented 40% of Brazil 's exports; Chinese imports of iron – the key mining export – constitute over a third of the total exports of that sector. China also imports about 10% of Brazil 's exports of petrol, meat, pulp and paper[20]. Under the Lula and Rousseff regimes, Brazil has reverted to a quasi-mono-cultural economy dependent on a very limited market. As a result the slowdown of China 's economy has predictably led to a decline in Brazil 's growth to fewer than 2% from 2011 to 2013[21].

Brazil: Finance Capital's Economic Paradise

Under the Workers Party free market policies, finance capital has flooded into Brazil , as never before. Foreign direct investment jumped from about $16 billion in 2002 during the last year of the Cardoso regime to over $48 billion in the last year of Lula's rule[22]. Portfolio investment – the most speculative sort – rose from a negative $5 billion in 2002 to $67 billion in 2010. Net inflows of FDI and portfolio investments totaled $400 billion during 2007 – 2011 compared to $79 billion during the previous 5 year period[23]. Portfolio investments in high interest bonds, securities returned between 8% – 15% ,triple and quadruple the rates in North America and Europe . Lula and Dilma are poster presidents of Wall Street.

By most important economic indicators the policies of the Lula-Dilma regimes have been the most lucrative for overseas financial capital and the investors in the primary agro-mineral sectors in the recent history of Brazil .

Agro-Mineral Model and the Environment

Despite their political rhetoric in favor of family farming, the Lula-Dilma regimes have been among the biggest promoters of agro-business in recent Brazilian political history. The largest share of state resources allocated to agriculture, finances agribusiness and large landowners. According to one study, in 2008/2009 small holders received about $6.35 billion (US), while agribusiness and large landholders received $31.9 billion (US) in funding and credit[24]. Less than 4% of government resources and research was directed to family farming and agro-ecological farms.

Under Lula the destruction of the rain forests occurred at a rapid pace. Between 2002 and 2008 the Cerrado region's vegetation was reduced by 7.5% or over 8.5 million hectares, mostly by agro-business corporations[25]. The Brazilian Cerrado is one of the world's most biologically rich savannah regions concentrated in the center-east region of the country. According to one study 69% of all the land owned by foreign corporations is concentrated in Brazil 's Cerrado[26]. Between 1995 – 2005 the share of foreign capital in Brazil 's agro-industrial grain sector jumped from 16% to 57%. Foreign capital has capitalized on the neo-liberal policies under Cardoso, Lula and Dilma to move into agro-fuel (ethanol) sector, controlling about 22% of Brazilian sugar cane and ethanol companies[27] – and rapidly encroaching on the Amazon forest.

Between May 2000 and August 2005, thanks to the expansion of the export sector, Brazil lost 132,000 square kilometers of forest due to the expansion of large landowners and multinationals engaged in cattle raising, soya and forestry[28]. Between 2003 – 2012 over 137 square kilometers have been deforested, aided and abetted by multi-billion dollar government infrastructure investments, tax incentives and subsidies.

In 2008 damage to the Amazon rain forest surged 67% .Under pressure from indigenous, peasant and landless rural workers' and ecology movements the government took action to curtail deforestation. It declined from a peak of 27,772 square kilometers in 2004 (second only to the highest ever under Cardoso in 1995, 29,059 square kilometers) to 4,656 sq. km in 2012[29].

Cattle ranching is the leading cause of deforestation in the Brazilian Amazon. Estimates attribute over 40% to big capitalist and MNC meat processing corporations[30]. The Lula-Dilma regimes' major infrastructure investments, especially roads, opened previously inaccessible forest lands to corporate cattle firms. Under Lula and Dilma, commercial agriculture, especially soya beans became the second biggest contributor to deforestation of the Amazon.

Accompanying the degradation of the natural environment, the expansion of agro-business has been accompanied by dispossession, assassination and enslavement of indigenous peoples. The Christian, Pastoral Land Commission reported that landlord violence reached its highest level in at least 20 years in 2004 – Lula's second year in office. Conflicts rose to

1,801 in 2004 from 1,690 in 2003 and 925 in 2002[31].

According to the government, cattle and soy corporations exploit at least 25,000 Brazilians (mostly dispossessed Indians and peasants) under “conditions analogous to slavery”. Leading NGOs claim the true figure could be ten times that number. Over 183 farms were raided in 2005 freeing 4,133 slaves[32].

Mining: The Vale Rip-off as “Privatization” and the Number One Polluter

Nearly 25% of Brazil ’s exports are composed of mineral products – highlighting the growing centrality of extractive capital in the economy. Iron ore is the mineral of greatest importance, representing 78% of total mining exports. In 2008, iron ore accounted for $16.5 of a $22.5 billion of the industry’s earnings[33]. The vast majority of iron exports are dependent on a single market – China . As China ’s growth slows, demand declines and increases Brazil ’s economic vulnerability.

One firm, privatized during the Cardoso presidency, Vale, through acquisitions and mergers controls almost 100% of Brazil ’s productive iron mines[34]. In 1997 Vale was sold by the neoliberal state for $3.14 billion, a small fraction of its value. Over the following decade it concentrated its investments in mining, establishing a global network of mines in over a dozen countries in North and South America , Australia , Africa and Asia . The Lula – Dilma regime played a major role in facilitating Vale’s dominance of the mining sector and the exponential growth of its value: Vale’s net worth today is over $100 billion but it pays one of the lowest tax rates in the world, despite being the second largest mining company in the world, the largest producer of iron ore and the second largest of nickel. Maximum royalties on mineral wealth rose from 2% to 4% in 2013[35]; in other words during the decade of the “progressive” government of Lula and Dilma, the tax rate was one-sixth that of conservative Australia with a rate of 12%.

Vale has used its enormous profits to diversify its mining operations and related activities. It sold off businesses such as steel and wood pulp, for $2.9 billion – nearly the price paid for the entire mineral complex. Instead it concentrated on buying up the iron mines of competitors and literally monopolizing production. Vale expanded into manganese, nickel, copper, coal, potash, kaolin, bauxite; it has bought out railroads, ports, container terminals, ships and at least eight hydroelectric plants; two-thirds of its hydro-electrical plants were built during the Lula regime[36].

In sum, monopoly capitalism flourished during the Lula regime with record profits in the extractive sector, extreme damage to the environment and massive displacement of indigenous peoples and small scale producers. The Vale mining experience underlines the powerful structural continuities between the neo-liberal Cardoso and Lula regimes: the former privatized Vale at a “fire sale” price; the latter promoted Vale as the dominant monopoly producer and exporter of iron, totally ignoring the concentration of wealth, profits and powers of extractive capital.

In comparison to the geometrical growth of monopoly profits for the extractive sector, Lula and Dilma’s paltry two dollars a day subsidy to reduce poverty hardly warrants calling the regime “progressive” or “center-left”.

While Lula and Dilma were enraptured with the growth of Brazil 's "mining champion" (Vale), others were not. Into 2002 Public Eye a leading human rights and environmental group gave Vale an "award" as the worst corporation in the world: "The Vale Corporation acts with the most contempt for the environment and human rights in the world"[37]. The critics cited Vale's construction of the Belo Monte dam in the middle of the Amazon rain forest as having "devastating consequences for the regions unique biodiversity and indigenous tribes"[38].

The mining sector is capital intensive, generates few jobs and adds little value to its exports. It has degraded water, land and air; adversely affected local communities, dispossessed Indian communities and created a boom and bust economy.

With the marked slowdown of the Chinese economy, especially its manufacturing sector in 2012-14, iron, copper prices have fallen. Brazil 's export revenues have declined, undermining overall growth. Especially important, channeling resources into infrastructures for the agro-mineral sectors has resulted in the depletion of funds for hospitals, schools and urban transport – which are run down and provide poor service to millions of urban workers.

The End of the Extractive "Mega Cycle" and the Rise of Mass Protests

Brazil 's extractive led model entered a period of decline and stagnation in 2012-2013 as world market demand – especially Asia – declined especially in China[39]. Growth hovered around 2% ,barely keeping up with population growth. The class based growth model, especially the narrow stratum of foreign portfolio investors, monopoly mining and big agro-business corporations which controls and reaped most of the revenues and profits, limited the "trickle down effects" which the Lula-Dilma regimes promoted as their "social transformation". While some innovative programs were initiated, the follow-up and quality of services actually deteriorated.

In-patient hospital beds have declined from 3.3 beds per 1,000 Brazilians in 1993, to 1.9 in 2009, the second lowest in the OECD[40]. Hospital admissions financed by the public sector have fallen and long waits and low quality is endemic.

Federal spending on the health system has fallen since 2003, when adjusted for inflation according to the OECD study. Public spending on health is low: 41% compared to the UK at 82% and the US , 45.5%[41]. The class polarization embedded in the agro-mineral extractive model extends to government spending, taxes, transport and infrastructure: massive financing for highways, dams, hydro-electric power stations for extractive capital versus inadequate public transport and declining spending for public health education and transport.

The deeper roots of the mass upheavals of 2013 are located in the class politics of a corporate state. The Cardoso, Lula-Dilma regimes, over the past two decades, have pursued a conservative elitist agenda, cushioned by clientelistic and paternatistic politics which neutralized mass opposition for an extended period of time, before the mass rebellion and nationwide protests unmasked the "progressive" facade.

Leftist publicists and conservative pundits who claimed Lula as a "pragmatic progressive" overlooked the fact that during his first term, state support for the agro-business elite was seven times that offered to the family farmers who represented nearly 90% of the rural labor force and provide the bulk of food for local consumption. During Lula's second term, the Ministry of Agriculture's financial support for agro-business during the 2008-09 harvest was six times larger than the funds allocated for Lula's poverty reduction program, the highly publicized "Bolsa Familia" program[42]. Economic orthodoxy and populist demagogy is no substitute for substantive structural changes, involving a comprehensive agrarian reform embracing 4 million landless rural workers, and a re-nationalization of strategic extractive enterprises like Vale in order to finance sustainable agriculture and preserve the rainforest.

Instead Lula and Dilma jumped full force into the ethanol boom: "sugar, sugar everywhere" but never asking, "Whose pocket does it fill?" Brazil 's growing structural rigidity, its transformation into an extractive capitalist economy, has enhanced and enlarged the scope for corruption. Competition for mining contracts, land grants and giant infrastructure projects encourages agro-mineral business elites to pay-off the "party in power" to secure competitive advantages. This was particularly the case for the "Workers Party" who's executive and party leadership (devoid of workers) was composed of upwardly mobile professionals, aspiring to elite class positions who looked toward business payoffs for their 'initial capital', a kind of 'initial accumulation through corruption'.

The commodity boom, for almost a decade, papered over the class contradictions and the extreme vulnerability of an extractive economy dependent on primary goods exports to limited markets. The neo-liberal policies adapted to further commodity exports led to the influx of manufactured goods and weakened the position of the industrial sector. As a result the efforts of Dilma to revive the productive economy to compensate for the decline of commodity revenues has not worked: stagflation, declining budget surpluses and weakening trade balances plague her administration precisely when the mass of workers and the middle class are demanding a large scale reallocation of resources from subsidies to the private sector to investments in public services.

Rousseff's and her mentor, Lula's entire political fortunes were built on the fragile foundations of the extractive model. They have failed to recognize the limits of their model, let alone formulated an alternative strategy. Patchwork proposals, political reforms, anti-corruption rhetoric in the face of million person protests spanning all the major and minor cities of the country do not address the basic problem of challenging the concentration of wealth, property and class power of the agro-mineral and financial elite. Their MNC allies control the levers of political power, with and without corruption and block any meaningful reforms.

Lula's era of "Wall Street Populism" is over. The idea that high revenues from extractive industries can buy popular loyalties via consumerism, funded by easy credit ,has passed. Wall Street investors are no longer praising the BRICs as a new dynamic market. As is predictable they are shifting their investments to more lucrative activity in new regions. As portfolio investments decline, and the economy stagnates, extractive capital intensifies its push into the Amazon and with it the terrible toll on the indigenous population and the rain forest.

The year 2012 was one of the worst years for the indigenous peoples. According to the Indigenous Missionary Council, affiliated with the Catholic Church, the number of violent incidents against the Indian communities increased 237%[43]. The Rousseff regime has given

Indians the least number of legal title (homologado) to land of any president since the return of democracy (seven titles). At this rate the Brazilian state will take a century to title land requests of the Indian communities. At the same time in 2012, 62 Indian territories were invaded by landowners, miners and loggers, 47% more than in 2011[44]. The biggest threat of dispossession is from mega dam projects in Belo Monte and giant hydro-electric projects being promoted by the Rousseff regime. As the agro-mineral economy falters the Indian communities are being squeezed ("silent genocide") to intensify agro-mineral growth.

The biggest beneficiaries of Brazil 's extractive economy are the world's top commodity traders who, worldwide, pocketed $250 billion over the 2003-2013 period, surpassing the profits of the biggest Wall Street firms and five of the biggest auto companies. During the mid-2000's, some traders enjoyed returns of 50 – 60 percent. Even as late as 2013 they were averaging 20 – 30% (Financial Times 4/15/13, p. 1). Commodity speculators earned more than 10 times what was spent on the poor. These speculators profit from price fluctuations between locations, from the arbitrage opportunities offered by an abundance of price discrepancies between regions. Monopoly traders eliminated competitors and low taxes (5-15%) have added to their mega wealth. The biggest beneficiaries of the Lula-Dilma extractive model, surpassing even the agro-mineral giants are the twenty biggest commodity traders-speculators.

Extractive Capital, Internal Colonialism and the Decline of the Class Struggle

The class struggle, especially its expression via strikes led by trade unions and by rural workers located in campsites (campamentos) who launch land occupations has declined precipitously over the past quarter of a century. Brazil during the period following the military dictatorship (1989) was a world leader in strikes with 4,000 in 1989. With the return of electoral politics and the incorporation and legalization of the trade unions especially in tripartite collective bargaining framework, strikes declined to an average of 500 during the 1990's. With the advent of the Lula regime (2003-2010) strikes declined further from 300-400 a year[45]. The two major trade unions CUT and Forca Sindical allied with the Lula regime became virtual adjuncts of the Ministry of Labor: trade unionists secured positions in government and the organizations received major subsidies from the state, ostensibly for 'job' training and worker education. With the commodity boom and the rise in state revenues and export earnings, the governments formulated a trickle down strategy, increasing the minimum wage and launching new anti-poverty programs. In the countryside, the MST continued to demand an agrarian reform and engaged in land occupations but its position of critically supporting the Workers Party in exchange for social subsidies led to a sharp decline in campsites (campamentos) from which to launch land occupations. At the start of Lula's presidency (2003) the MST had 285 campamentos, in 2012 it had 13[46].

The decline of class struggle and the co-optation of the established mass movements coincided with the intensification of extractive capitalist exploitation of the interior of the country and the violent dispossession of the indigenous communities. In other words, the heightened exploitation of the 'interior' by agro-mineral capital facilitated the concentration of wealth in the large urban centers and the established rural areas, leading to co-optation of trade unions and rural movements. Hence despite some declaratory statements and symbolic protests, agro-mineral capital encountered little organized solidarity between urban labor and the dispossessed Indians and enslaved rural workers in the 'cleared'

Amazon. Lula and Dilma played a key role in neutralizing any national united front against the depredations of agro-mineral capital.

The degeneration of the major labor confederations is visible not only in their presence in government and in the absence of strikes but also in the organization of the annual May 1 workers meetings. The recent events have included virtually no political content. There are music spectacles, spiced with lotteries offering automobiles and other forms of consumerist entertainment, financed and sponsored by major private banks and multi-nationals[47]. In effect this relation between city and Amazon resembles a kind of internal colonialism, in which extractive capital has bought off a labor aristocracy as a complicit ally to its plunder of the interior communities.

Conclusion Mass Movements The Extractive Model under Siege

If the CUT and Forca Sindical are co-opted, the MST is weakened and the low income classes received monetary raises how and why did unprecedented mass movements emerge in close to a hundred major and minor cities throughout the country?

The contrast between the new mass movements and the trade unions was evident in their capacity to mobilize support during the June/July(2013) days of protest: the former mobilized 2 million ,the latter 100,000

What needs to be clarified is the difference between the small student and local groups (Movemiento Passe Livre-MPL)which detonated the mass movements over a raise in bus fares and the pharaonic state expenditure on the World Cup (soccer championship) and Olympics and the spontaneous mass movements which questioned the state's budgetary policies and priorities in their entirety.

Many publicists for the Lula-Dilma regimes accept at face value, the budgetary allocations destined for social and infrastructure projects, when in fact only a fraction is actually spent as much is stolen by corrupt officials. For example between 2008-12

R$6.5 billion was designated for public transport in the principal cities but only 17% was actually spent.(Veja ano 46,no29 7/17/2013)According to the NGO "Contas Abertas"(Open Accounts)over a ten year period Brazil spent over R$160 billion in public works which are unfinished , never left the drawing board or were stolen by corrupt officials. One of the most egregious cases of corruption and mismanagement is the construction of a 12 kilometer subway in Salvador, with the provision that it would be completed in 40 months at the cost ofR$307 million. Thirteen years later (2000-13) expenditures increased to nearly1 billion reales and barely 6 kilometers have been completed. Six locomotors and 24 wagons purchased for 100 million reales have broken down and the manufacturers warranty has expired(Veja ano 46.no 29 7/17/13).The project has been paralyzed by claims of corrupt overcharging (sobrefacturacion)involving federal, state and municipal officials. Meanwhile 200,000 passengers are forced daily to travel on dilapidated buses.

The deep corruption which infects the entire Lula-Dilma administration has driven a deep wedge between the achievements claimed by the regime and the deteriorating everyday experience of the great majority of the Brazilian people. The same gap exists regarding expenditures to preserve the Amazon rain forest, the Indian lands, and to fund the anti-poverty programs: corrupt PT officials siphon funds to finance their election campaigns rather then reduce environmental destruction and reduce poverty.

If the wealth from the boom in the agro-mineral extractive model "percolated" into the rest of the economy and raised wages, it did so in a very uneven, unequal and distorted fashion. The great wealth concentrated at the top found expression in a kind of new caste-class system in which private transport – helicopters and heliports – private clinics, private schools, private recreation areas, private security armies for the rich and affluent was funded by state promoted subsidies. In contrast the masses experienced a sharp relative and absolute decline in public services in the same essential life experiences. The raise in minimum wage did not compensate for 10 hour waits in crowded public emergency rooms, irregular and crowded public transport, daily personal threats and insecurity (50,000 homicides).Parents, receiving the anti-poverty dole sent their children to decaying schools where poorly paid teachers rushed from one school to another barely meeting their classes and providing meager learning experiences. The greatest indignity to those receiving subsistence handouts was to be told that, in this class-caste society, they were "middle class"; that they were part of an immense social transformation that lifted 40 million out of poverty, as they crawled home from hours in traffic, back from jobs whose monthly salary paid for one tennis match at an upscale country club. The agro-mineral extractive economy, accentuated all Brazil 's socio-economic inequalities and the Lula-Dilma regime accentuated these difference by raising expectations, claiming their fulfillment and then ignoring the real social impacts on everyday life. The government's large scale budgetary allocations for public transport and promises of projects for new subway and train lines have been delayed for decades by large scale, long term corruption. Billions spent over the years have yielded minimum results-a few kilometers completed. The result is that the gap between the regime's optimistic projections and mass frustration has vastly increased. The gap between the populist promise and the deepening cleavage between classes could not be papered over by trade union lotteries and VIP lunches. Especially for an entire generation of young workers who are not attached to the ancient memories of Lula the "metal worker" a quarter century earlier. The CUT, the FS, the Workers' Party are irrelevant or are perceived to be part of the system of corruption, social stagnation and privilege. The most striking feature of the new wave of class protest is the generational and organizational split: older metal workers are absent, young unorganized service workers are present. Local, spontaneous organizations replace the co-opted trade unions.

The point of confrontation is the street – not the workplace. The demands transcend monetary wages and salaries – the issues are the social wage, living standards, national budgets .Ultimately the new social movements raise the issue of national class priorities. The regime is dispossessing hundreds of thousands of residents of favelas – a social purge – to build sports complexes and luxury accommodations. Social issues inform the mass movements. Their organizational independence and autonomy underline the deeper challenge to the entire neo-liberal extractive model; even though no national organizations or leadership of these mass movements has emerged to elaborate an alternative. Yet the struggle continues. The traditional mechanisms of co-optation fail because there are no identifiable leaders to buy off. The regime, facing the decline of export markets and commodity prices, and deeply committed to multi-billion dollar non-productive investments in the Games has few options. The PT long ago lost its anti-systemic cutting edge. Its politicos are linked with and funded by the banks and agro-mining elites. The trade union leaders protect their fiefdoms, automatic dues deductions and stipends. The mass movements of the cities like the Indian communities of the Amazon will have to find new political instruments .But having taken the path of "direct action" they have taken a big first step.

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[7] Cardoso's Brazil Ch. 5

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[11] ibid, Ch. 1, 2.

[12] ibid, Ch. 5

[13] ibid, Ch. 2.

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