BRAZIL: EXTRACTIVE CAPITALISM AND THE GREAT LEAP BACKWARD

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Abstract: This article examines Brazil's economic, social and environmental policy under neoliberal and center-left regimes, and finds substantial continuities in promoting an extractive economic development strategy. The devastating impacts on the Amazon, and the continuation in class inequalities counter the reformist imagery of the Workers' Party regime. The study emphasizes the utility of class analysis in deconstructing ideological identities.

Key words: neoliberalism; extractive capitalism; class struggle

Introduction

Brazil has witnessed one of the world's most striking socio-economic *reversals* in modern history: from a dynamic nationalist-industrializing economy to a primary export economy. Between the mid-1930s and the mid-1980s, Brazil averaged nearly 10 percent 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-1980s. The election of neoliberal politicians, especially with the election of the Cardoso regime in the mid-1990s, had a devastating impact on the strategic sectors of the national economy: wholesale *privatization* was accompanied by the *denationalization* of the major banks and corporations and the *deregulation* of capital markets (Petras and Vettmeyer 2003, Chapter 2). 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 neoliberal policies led to the relative and absolute decline of industrial production (Petras and Vettmeyer 2003: Chapter 1).

The Presidential victory of the self-styled "Workers' Party" in 2002 deepened and expanded the "great reversal" promoted by its neoliberal predecessors. Brazil reverted to becoming a primary commodity exporter, as soya, cattle, iron and metals exports multiplied and textile, transport and manufacturing exports declined (Petras 2005: Chapter 1). Brazil became one of the leading extractive commodity exporters in the world. Brazil's dependence on commodity exports was aided and abetted by the massive entry and penetration of imperial multi-national corporations (MNCs) 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 economy to a vulnerable imperial driven agro-mineral extractive dependency, we need to briefly review the political economy of Brazil over the past 50 years to identify the decisive "turning points" and the centrality of political and class struggle.

Military Model: Modernization from Above

Under the military dictatorships (1964–84) economic policy was based on a hybrid strategy emphasizing a triple alliance of state, foreign and national private capital focused primarily on industrial exports and secondarily on agricultural commodities (especially traditional products such as coffee) (Evans 1979).

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 agro-business. 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 1960s to the mid-1970s, the so-called "Brazilian Miracle" (Serra 1973). 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. Neoliberal parties gained hegemony with the turn to electoral politics.

Electoral Politics, the Rise of Neoliberalism and the Ascendancy of Extractive Capitalism

The electoral opposition which succeeded the military regimes was *initially* polarized between, on the one hand, 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 (Petras 2005: Chapter 1).

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, involving 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 60 years. Cardoso's policies gave a significant push toward the denationalization and privatization of the economy, essential elements in the reconfiguration of Brazil's economy and the ascendancy of extractive capital (Petras and Vettmeyer 2003: Chapter 5). By almost all indicators Cardoso's ultra neoliberal 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 and landless rural workers provoked widespread strikes and land occupations (Petras and Vettmeyer 2003: Chapters 3 and 6). 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 (Petras and Vettmeyer 2003: 126, Table A.12).

The average growth rate of industry declined to a paltry 1.4 percent. Employment in the industrial sector fell by 26 percent, unemployment rose to over 18.4 percent, the "informal sector" rose from 52.5 percent in 1980 to 56.1 percent in 1995 (Petras and Vettmeyer 2003: Chapter 3).

Privatization of public enterprises, such as the giant and lucrative telecommunications 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 Nigeria.

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 and massive windfall profits for Wall Street banks as the regime raised interest rates by over 50 percent (Petras and Vettmeyer 2003: Chapters 1 and 2). Bankruptcy of farmers led to their dispossession by agro-export capitalists. Concentration of land took a decisive turn as 0.7 percent of large landowners owning farms over 2,000 hectares increased their acreage from 39.5 percent to 43 percent of Brazilian farmland (Petras and Vettmeyer 2003: Chapter 5).

During Cardoso's eight years in office (1994–2002), there was a tsunami of foreign investment: over US$50 billion flowed in just the first five years—ten times the total of the previous 15 years (Petras and Vettmeyer 2003: Chapter 5). Foreign-owned agro-mineral companies among the top foreign-owned companies (as of 1997) numbered over one-third and growing. Between 1996–98 foreign MNCs acquired eight major food, mining and metal production firms (Petras and Vettmeyer 2003: Table A. 6).

Cardoso's neoliberal policies left 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 de facto privatization of the state oil company Petrobras. Lula embraced the restrictive monetary policies and budget surplus agreements with the IMF, and followed the budgetary prescriptions of the IMF directors (Petras 2005: Chapter 1).

The Lula regime (2003–11) took Cardoso's neoliberal 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 US$55.3 billion dollars in raw materials and US$44.2 billion in manufacturing goods; in 2011 Brazil tripled its raw material exports to US$162.2 billion while its manufacturing exports increased to a mere US$60.3 billion (*Index Mundi* 2013).

In other words, the *difference* between the value of raw material and manufacturing exports increased from US$13 billion to over US$100 billion in the last five years of Lula's regime. The relative de-industrialization of the economy, and the growing imbalance between the dominant extractive and manufacturing sector, illustrate 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 percent between 2010 and 2012 which increased the price of manufacturing exports and decreased the competitiveness of manufacturing products (Kingstone 2012). The "free market" policies also facilitated the entrance of lower priced manufactured goods from Asia, particularly from China. While Brazil's primary exports to China boomed, its manufacturing sector, particularly consumer goods such as textiles and footwear, declined by over 10 percent during 2005–10 (*Index Mundi* 2013).

Under the Lula and 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 (Kingstone 2012). Moreover, Brazil became more dependent than ever on a single market. From 2000 to 2010 exports of soy to China—the major agro export—represented 40 percent of Brazil's total exports; exports of iron to China—the key mining export—constituted over a third of the total exports of that sector. China also imports about 10 percent of Brazil's exports of petrol, meat, pulp and paper (Kingstone 2012). 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 percent from 2011 to 2013 (*Financial Times*, March 26, 2013: 7).

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 (FDI) jumped from about

US$16 billion in 2002, during the last year of the Cardoso regime, to over US$48 billion in the last year of Lula's rule (USITC 2012). Portfolio investment—the most speculative sort—rose from a negative US$5 billion in 2002 to US$67 billion in 2010. Net inflows of FDI and portfolio investments totaled US$400 billion during 2007–11 compared to US$79 billion during the previous five-year period (USITC 2012). Portfolio investments in high-interest bonds and securities returned between 8 and 15 percent, triple and quadruple the rates in North America and Europe, respectively. Lula and Dilma are poster presidents of Wall Street.

By most important economic indicators the policies of the Lula and Rousseff 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 and Rousseff regimes have been among the biggest promoters of agribusiness in recent Brazilian political history. The largest share of state resources allocated to agriculture, finances agro-business and large landowners. According to one study, in 2008/09 small holders received about US$6.35 billion, while agro-business and large landholders received US$31.9 billion in funding and credit (*Mongabay.com* 2013). Less than 4 percent 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 percent or over 8.5 million hectares, mostly by agribusiness corporations (*Mongabay.com* 2013). 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 percent of all the land owned by foreign corporations is concentrated in Brazil's Cerrado (Fernandes and Clements 2013). Between 1995 and 2005 the share of foreign capital in Brazil's agro-industrial grain sector jumped from 16 percent to 57 percent. Foreign capital has capitalized on the neoliberal policies under Cardoso, Lula and Rousseff to move into agro-fuel (ethanol) sector, controlling about 22 percent of Brazilian sugar cane and ethanol companies (*Mongabay.com* 2013)—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 multi-nationals engaged in cattle raising, soya and forestry (*Mongabay.com* 2013). Between 2003 and 2012 over 137 square kilometers were 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 percent. 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 square kilometers in 2012 (*Mongabay.com* 2013).

Cattle ranching is the leading cause of deforestation in the Brazilian Amazon. Estimates attribute over 40 percent to big capitalist and MNC meat processing corporations (*Mongabay.com* 2013). The Lula and Rousseff regimes' major infrastructure investments, especially roads, opened previously inaccessible forest lands to corporate cattle firms. Under Lula and Rousseff, 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 (Rambla 2013).

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 (*Mongabay.com* 2013).

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

Nearly 25 percent 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 percent of total mining exports. In 2008, iron ore accounted for US$16.5 of the US$22.5 billion of the industry's earnings (*E&MJ* 2011). 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, Vale, privatized during the Cardoso presidency, through acquisitions and mergers controls almost 100 percent of Brazil's productive iron mines (*Wikipedia* 2013). In 1997 Vale was sold by the neoliberal state for US$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 and Rousseff regimes 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 US$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 percent to 4 percent in 2013 (*The Economist*, June 2, 2013); in other words during the decade of the "progressive" government of Lula and Rousseff, the tax rate was one-sixth that of conservative Australia with a rate of 12 percent.

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 US$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 hydroelectrical plants were built during the Lula regime (*Wikipedia* 2013).

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 neoliberal 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 Rousseff's paltry two dollars a day subsidy to reduce poverty hardly warrants calling the regime "progressive" or "center-left."

While Lula and Rousseff 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" (*Guardian*, January 27, 2012). 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 region's unique biodiversity and indigenous tribes" (*Guardian*, January 27, 2012).

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 and 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 2012–13 as world market demand—especially Asia—declined, especially in China (*Financial Times*, July 13, 2013: 9). Growth hovered around 2 percent, barely keeping up with population growth. The class-based growth model, especially the narrow stratum of foreign portfolio investors, monopoly mining and big agribusiness corporations which controls and reaps most of the revenues and profits, limited the "trickle down effects" which the Lula and Rousseff 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 (*Financial Times*, July 1, 2013). Hospital admissions financed by the public sector have fallen and long waits and low quality are 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 percent compared to the UK at 82 percent and the US, 45.5 percent (*Financial Times*, July 1, 2013). The class polarization embedded in the agro-mineral extractive model extends to government spending, taxes, transport and infrastructure: massive financing for highways, dams, hydroelectric 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 and Rousseff regimes, over the past two decades, have pursued a conservative elitist agenda, cushioned by clientelistic and paternalistic politics which neutralized mass opposition for an extended period of time, before the mass rebellion and nationwide protests unmasked the "progressive" façade.

Leftist publicists and conservative pundits who claimed Lula as a "pragmatic progressive" overlooked the fact that during his first term, state support for the agribusiness elite was *seven times* that offered to the family farmers who represent nearly 90 percent 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 agribusiness 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 (*Mongabay.com* 2013). 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 renationalization of strategic extractive enterprises, such as Vale, in order to finance sustainable agriculture and preserve the rainforest.

Instead, Lula and Rousseff 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" whose executive and party leadership (devoid of workers) was composed of upwardly mobile professionals, aspiring to elite class positions, who looked toward business pay-offs 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 neoliberal 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 Rousseff 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 percent (*Mongabay.com* 2013). The Rousseff regime has given Indians the least number of legal titles (*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 percent more than in 2011 (*Mongabay.com* 2013). The biggest threat of dispossession is from mega dam projects in Belo Monte and giant hydroelectric 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 US$250 billion over the 2003–13 period, surpassing the profits of the biggest Wall Street firms and five of the biggest auto companies. During the mid-2000s, some traders enjoyed returns of 50–60 percent. Even as late as 2013 they were averaging 20–30 percent (*Financial Times*, April 15, 2013: 1). Commodity speculators earned more than ten 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 percent) have added to their mega wealth. The biggest beneficiaries of the Lula–Rousseff extractive model, surpassing even the agro-mineral giants are the 20 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 a tripartite collective bargaining framework, strikes declined to an average of 500 per year during the 1990s. With the advent of the Lula regime (2003–10) strikes declined further to around 300–400 a year (Zibechi 2013). 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 thirteen (Zibechi 2013).

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 Rousseff 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 (Zibechi 2013). 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 and 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 and Rousseff regimes accept, at face value, the budgetary allocations destined for social and infrastructure projects, when in fact only a fraction is actually spent in this way as much is stolen by corrupt officials. For example, between 2008 and 2012, R$6.5 billion was designated for public transport in the principal cities but only 17 percent was actually spent (*Veja ano* 46, no. 29, July 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 of R$307 million. Thirteen years later (2000–13) expenditures increased to nearly R$1 billion and barely six kilometers have been completed. Six locomotives and 24 wagons purchased for R$100 million have broken down and the manufacturer's warranty has expired (*Veja ano* 46, no. 29, July 17, 2013).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–Rousseff 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 were 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 rise 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 and Rousseff regimes accentuated these differences 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 neoliberal 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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