



**UNIVERSIDADE FEDERAL DO PARANÁ
CENTRO DE CIÊNCIAS SOCIAIS APLICADAS
DEPARTAMENTO DE ECONOMIA**

**PROGRAMA DE SEMINÁRIOS EM DESENVOLVIMENTO
ECONÔMICO**

“Productivity, wages and labor politics in Brazil, 1945-1962”

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Data: 12/04/2005

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(very first draft)

Araraquara
September 2004

In 1995 a session at the American Historical Association conference brought together distinguished scholars to discuss the bases on which the major industrialized countries stabilized their political economies after 1945-47, a rather unexpected outcome in the face of the previous history of depression, acute social conflicts and war. The participants stressed the importance of the US foreign economic policy and – following the lines originally set by the work of Charles Maier – the critical role played by the 'politics of productivity', that is, the corporatist accommodation between labor and managers which linked economic growth, high employment and real wage increases to productivity.¹ According to Maier, such a successful compact for growth in Western Europe and Japan was largely made possible by the division within the labor movement between 'moderate' and 'communist' leaders, with the resulting isolation of the latter in the major trade unions. Rather than a redistribution policy, the 'moderate' leaders pursued a strategy of compromise with management in which workers could gain from economic growth, real wage increases and welfare in exchange for participating in a strong productivity drive at firm-level.²

Assessing the overall evidence from country studies, Charles Maier maintained that the United States, France, West Germany and Japan – despite their particular social and institutional conditions – offered 'a history of capitalist convergence' towards a corporatist settlement involving labor and management, which gave rise to a high level of economic growth and relative stability in industrialized countries during the post-war years. Then the author wonders about 'what degree Latin American societies could also be assimilated' to this overall corporatist model.³

Perhaps surprisingly, Maier's question is highly pertinent to the post-war history of Latin American countries, first because many of them underwent fast economic growth and rapid industrialization at the time. Even more important, however, the question may help to shed new light on the causes of the highly unstable social, political and institutional conditions in Latin America after World War II. Was this chronic instability determined only by the weakness of democratic institutions in Latin America? Or by an ingrained authoritarian and interventionist stance by Latin American elites? Even though one might be tempted to offer an affirmative answer to these questions, this conclusion should be placed in the context of the pre-war European background of far-reaching political instability, repression and destruction on a scale which had never been seen before. As Mark Mazower has remembered us, Europe was far from committed to democracy by the 1940s and fascism was the most European ideology of those which marked the 'Dark Continent' in the twentieth century.⁴ If this is true, what happened to large Latin American societies to prevent them overcoming their own dramatic past of authoritarianism, repression and inequality during the golden age of post-World War II economic growth?

This article advances the hypothesis that one crucial reason for the failure of democratic stabilization in post-war Brazil's political economy lies in the relations between

¹ See the articles presented in *International Labor and Working-Class History*, 50, Fall 1996, pp. 114-156. For Maier's original contribution, see C. Maier, 'The Politics of Productivity: Foundations of American International Economic Policy After World War II', in C. Maier, *In Search for Stability. Explorations in Historical Political Economy*, Cambridge, Cambridge University Press, 1987.

² C. Maier, The Postwar Social Contract: Comment, *International Labor and Working-Class History*, 50, Fall 1996, p. 148.

³ *Ibidem*.

⁴ M. Mazower, *Dark Continent. Europe's Twentieth Century*, London, Penguin, 1998.

the emerging trade union movement and employers. Brazil was the largest industrial economy in Latin America by the 1950s, and the article argues that labor politics in this country after World War II diverged sharply from the overall pattern observed in advanced industrial societies. Although left-wing trade union leaders took over the key positions in the Brazilian labor movement, demanding substantial improvements in workers' social standing, they were not seen as reliable partners by industrialists and other elite groups in Brazil. As a result, industrial relations in Brazil became highly confrontational and antagonistic; undermining any prospects of a social contract which could favor sustained economic growth along with social reform.

The article is set mostly in Brazil's main industrial centre at the time – the state of São Paulo. São Paulo not only had the largest share of industrial output in Brazil (47.8 per cent in 1949 and 55.7 per cent in 1959, according to the Industrial Censuses), it was also home to the most active and influential employers' organization Federation of Industries of the State of São Paulo (*Federação das Indústrias do Estado de São Paulo* or FIESP), as well as trade unions. The analysis covers the main governments and phases of labor relations in Brazil from the end of the Second World War to the end of the Juscelino Kubitschek government (January 1961). As there are no official statistics on manufacturing industry in 1960 and 1961, the article extends its quantitative data to 1962, which is used as a reference year for interpolation. Initially, the article briefly outline a theoretical model which help explain the operation of the social compact for growth, followed by an overview of how wages and productivity evolved in post-war Brazil, a step which is important to establish the main issues to be examined in the following sections. The separate parts of the main argument are presented in sequence, by looking at industrial relations in São Paulo and Brazil after 1945. The aim is to show which were the particular political solutions to the 'labor question' in the 1940s and the 1950s and the related outcomes in terms of wages and productivity. The article stresses the links between domestic politics and the international Cold War juncture, and attempts by international trade union organizations to support moderate trade union leaders who could establish a settlement with industrialists and governments in Brazil. At the end, the article summarizes the main arguments and speculates how historical developments in industrial relations had a wide-ranging impact on Brazilian economic and social post-war history.

Wages and productivity in post-war Brazil

A key empirical evidence for the 'social compact for growth' hypothesis is that real wages grew in tandem with productivity in the crucial years of recovery and expansion of European and Japanese economies after 1945-47. By taking part in a productivity drive at firm level and limiting their wages demands to the growth of productivity, labor obtained steady increases in real wages and welfare which turned out to be the basis for a corporatist accommodation between labor and management. Indeed, manufacturing wages and productivity in the advanced industrial countries grew by 3 per cent p.a. between the mid-1950s and mid-1960s. Fast growth, full employment, high productivity and rising wages were thus key features of the post-World War II settlement in European and Japanese economies – until wages overcame productivity and inflationary pressures became widespread from the early 1970s.⁵

⁵ P. Armstrong, A. Glyn & J. Harrison, *Capitalism since 1945*, Oxford, Blackwell, 1991, p. 120-1; B. Eichengreen, 'Institutions and Economic Growth: Europe After World War II', in N. Crafts and G. Toniolo (eds), *Economic Growth*

The situation is shown in Figure 1.⁶ In an imperfectly competitive labor market, the real wage bargained by unions (w^B) depends upon the bargained nominal wage (W), which takes into account the expectations about the price level which will prevail over the period of the wage contract. Both the nominal wage and the real wage bargained by unions depend upon the state of the labor market, given by the unemployment level (U), which in turn affects the bargaining power of workers. It is assumed that there is a stable relation between the bargained real wage and the unemployment level, namely, the *bargained real wage* (BRW) curve:

$$w^B = b(U), \text{ with } b'(U) < 0, \quad (1)$$

in which $U \equiv LF - E$, where LF is the labor force and E the employment level.

The observed (actual) real wage depends not only on the bargaining process between trade unions and employers, but also on the general price index (P), which results from the price decisions by firms. The price-determined real wage (w^P) is, therefore, the observed real wage:

$$w^P = \frac{W}{P}. \quad (2)$$

Taking the hypothesis of *normal cost pricing*, the price level is defined as a multiple of normal unit labor costs (the same as wage costs per unit output):⁷

$$P = \frac{1}{1-m} \frac{W}{LP}, \quad (3)$$

where LP is the labor productivity (output per worker) at normal capacity level and m is the the part of the output per head taken by firms as profits. Introducing (3) in (2) the price-determined real wage (PRW) curve is defined as follows:

$$w^P = LP(1-m). \quad (4)$$

Based on an stylized fact that in imperfectly competitive product markets the prices do not respond much to changes in demand, it is reasonable to suppose that both mark-up and labor productivity are constant, i.e., the PRW curve is flat.

The intersection between the bargained real wage curve and the price-determined real wage curve defines the equilibrium level of employment (E_n) or, still, the equilibrium rate of unemployment (U_n). At this level of employment, workers and firm's claims over the product per head are both satisfied and consistent. The condition of consistency between workers and firm's claims can be seen in the following expression:⁸

$$LP = mLP + \frac{W}{P}. \quad (5)$$

in Europe Since 1945, Cambridge, Cambridge University Press, 1996.

⁶ The following model was elaborated by W. Carlin & D. Soskice, *Macroeconomics and the Wage Bargain. A Modern Approach to Employment, Inflation and the Exchange Rate*, Oxford, Oxford University Press, 1990.

⁷ The wage costs per unit output are defined by $\frac{WE}{y} = \frac{W}{LP}$, where y is the output and $LP \equiv y / E$.

⁸ The following equation was obtained by simple algebraic handling of the equation (1).

That is, the real profits per worker (mLP) aimed at by firms and the real wages per worker (W/P) resulting from wage bargaining and price-setting must be compatible with the labor productivity (LP).

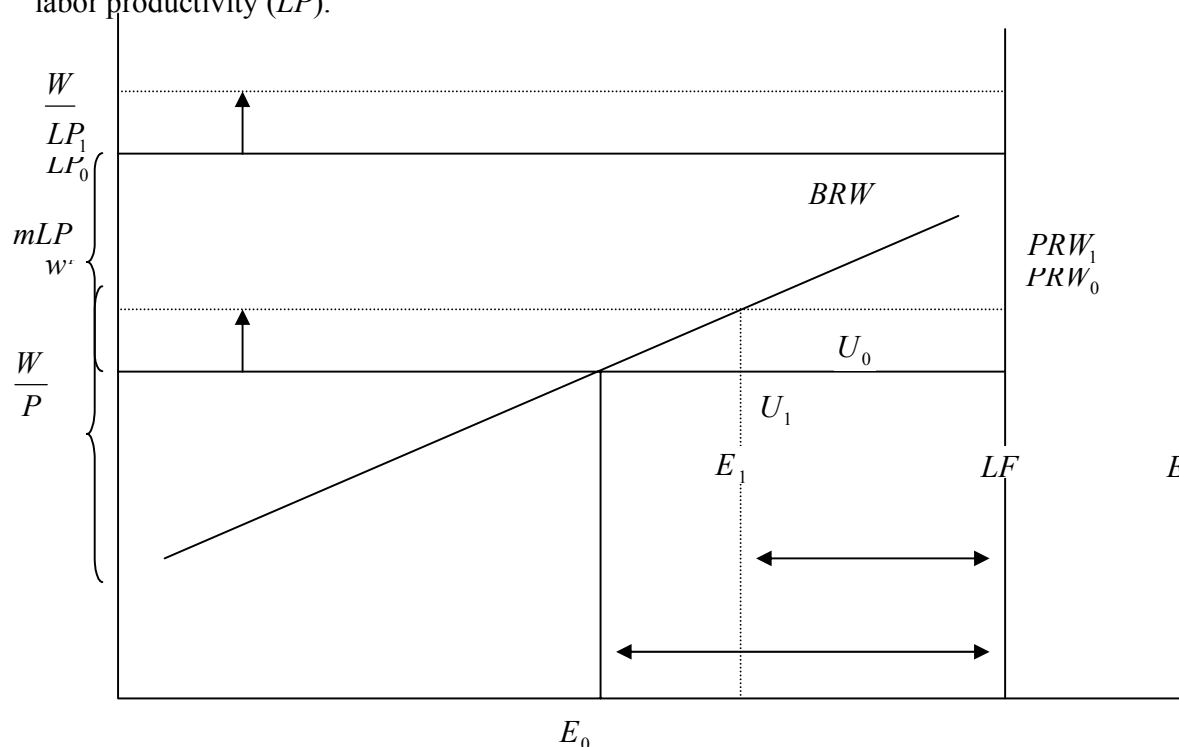


Figure 1 - Accommodating wage and productivity growth

If unemployment falls, there will be an increase in the bargained real wage due to the higher bargaining power of workers, i.e., BRW will be greater than PRW. As unions take advantage of this situation and are able to bring nominal wages in line with the bargained real wage, the shares in the product per head claimed by firms and workers will be inconsistent, as real wages will rise and profits will fall. Assuming that firms want to keep their profit margin stable, they will push prices up in order to restore their mark-up to the former level. The targeted increase in real wages pursued by unions will not take place and the final outcome will be only accelerating inflation.

Unions however may successfully push their demand for higher real wages if labor productivity is improved. In such a case, LP goes up and allows for a higher PRW in Figure 1, at a lower equilibrium rate of unemployment, U_1 for example. The condition is that nominal wages rise at the same rate as productivity, so that workers' and firms' claims over the output per head can be accommodated without generating inflationary pressure. This is apparently what happened to the European economies in the early post-war years, and set the basis for a 'social compact for growth', as mentioned above.

Wages and productivity evolved differently in post-war Brazil. Data on these variables are limited and somewhat tenuous. In the next section, Tables 1 and 2 show an attempt to construct wage and labor productivity series by using interpolated and backward extrapolated estimates from official statistics. A summary of the methodological procedures is presented in the appendix. In order to make clear the limitation of the series, data obtained by interpolation and backward extrapolation appear in brackets.

Overall trends of the data can be visualized before a more detailed analysis in the next sections. Thus Figure 2 shows that, for most of the 1945-1962 period, labor productivity exceeded real wages in Brazil's manufacturing industry, in particular from 1955. Tests of structural stability by using a regression model with dummy variables show that there was a change in the level and the slope of Brazil's labor productivity series, indicating the existence of a structural break in 1955 – an outcome not replicated by wages.⁹ Such a result is revealing since the 1950s were a period of remarkable economic growth in Brazil – [quote Brazil's compound rate of growth based on oxlad]. The economic causes of such a negative performance of manufacturing wages still remain to be investigated and are beyond the scope of the present article. An effect, however, can be deduced from the previous analysis: given the boost in productivity and the relatively slow growth of wages after 1955, firms experimented an increase in their profits at the expense of workers' wages.

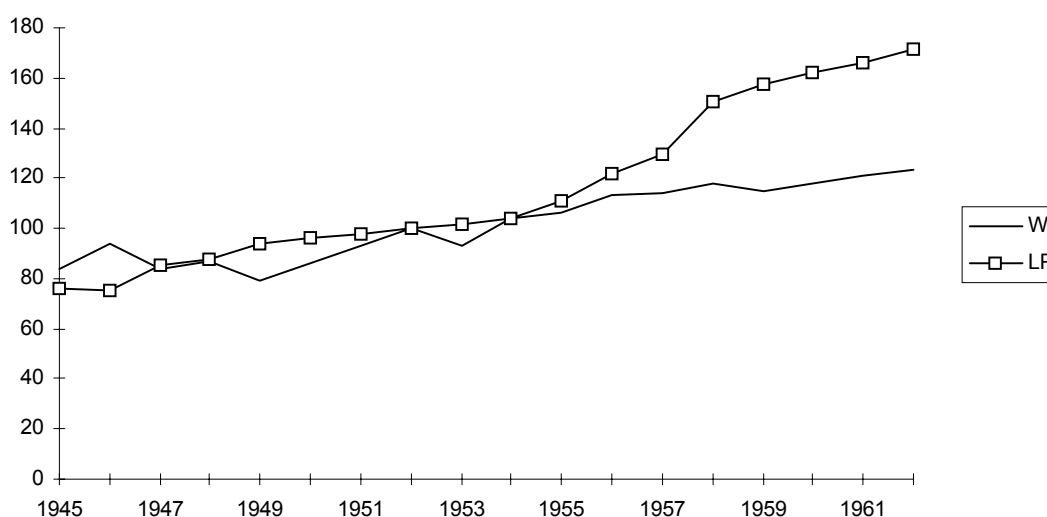


Figure 2 - Wages and labor productivity in Brazil, 1945-1962

A similar trend is observed regarding the largest industrial centre in Brazil, the state of São Paulo (Figure 3), which will be the main focus of analysis in the following sections. Real wages lagged behind labor productivity from 1956, an outcome that in São Paulo was even more striking than in Brazil as a whole in the end of the period examined. Like in the case of Brazil, a regression model with both intercept and slope dummy variables show that São Paulo's labor productivity series is not stable across time, indicating the presence of a structural break in 1956 (see the appendix). It seems that, even at the heart of the industrial transformation in Brazil, workers were not able to keep pace with rationalization and improvements in production organization by firms, which led to significant increases in labor productivity during the second half of the 1950s and early 1960s.

⁹ See the appendix for the tests.

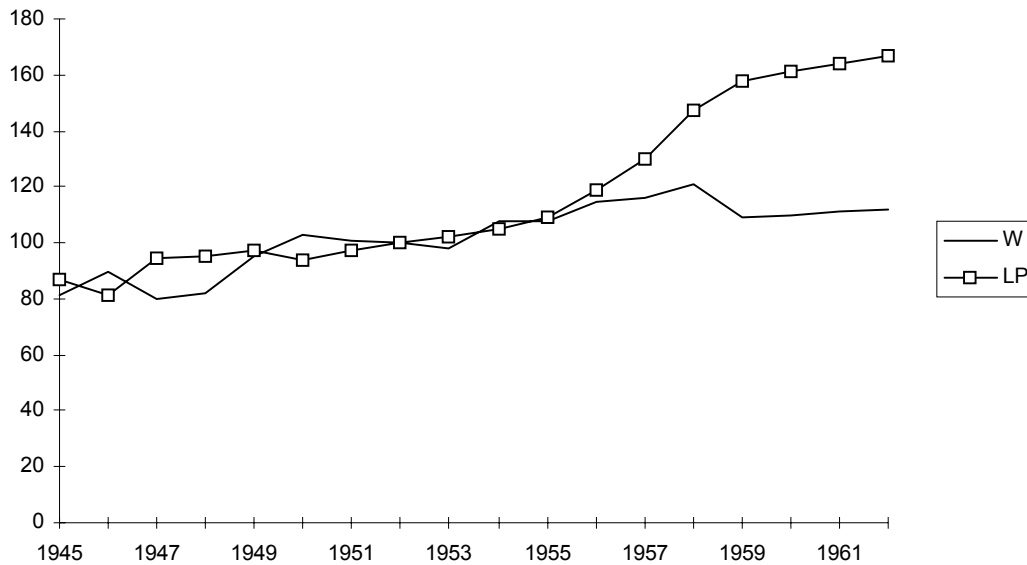


Figure 3 - Wages and labor productivity in São Paulo, 1945-1962

Demographic conditions, inflation and labor market structure are some likely candidates for an economic explanation of the sluggish performance of industrial wages in the booming post-war Brazilian economy. The following sections, however, will deal with a different issue, related to labor politics, wages and productivity: why did Brazil's political economy fail to give birth to a social compact which could help design proper economic and social policies in order to promote growth along with increasing welfare? In particular, it will be examined the relations between employers and workers that may have prevented industrial wages from catching up with productivity in an otherwise favorable economic situation, marked by high economic growth and employment.

Labor politics in the early post-war years

By early 1945, Brazil was experiencing all the uncertainties and social tensions of a world which had gone through years of war, material destruction, genocide and social disruption. Although the country had not been scenario of fights during the Second World War, public opinion closely followed the events, mobilized to take part in the conflict and helped force a government sympathetic to the Axis to send the army to Europe to join the Allies. The institutional and political situation, therefore, was awkward. On the one hand, the defeat of fascist regimes in Europe fuelled the expectations of a new era of democracy, popular participation, social justice and economic development. On the other hand, the country was still under the rule of the *Estado Novo* dictatorship, a product of a coup d'état led by Getúlio Vargas and a coalition of conservative forces in 1937. The overthrow of Vargas and the end of *Estado Novo* in October 1945 did not solve the impasse, since a coalition of conservative forces led by Eurico Dutra, a former Ministry of War during the *Estado Novo* regime, ended up winning the presidential elections in December 1945. Thus, the restoration of institutional legality headed by conservative groups closely linked to the early dictatorship only reasserted the uncertainties and social tensions in Brazilian society. In particular, this situation raised serious doubts about the ability of new political and social groups to replace the authoritarian elites which traditionally held power in Brazil. With

regards the outcomes, there was skepticism whether the benefits of economic development could be extended beyond the powerful landed and entrepreneurial classes.¹⁰

The particular political and social alignments established in the immediate post-war years, characterized by continuity with the authoritarian past, deeply marked labor relations in Brazil in the decades to come. Labor issues continued to be regulated by the highly centralized and interventionist system of industrial relations inherited from the *Estado Novo* regime, which formally deprived trade unions of autonomy and independence from the state. Nonetheless, labor politics in post-war Brazil shows a complex history of working class organization and conflicts which went far beyond the corporatist system of industrial relations. A major example of this were the workers' initiatives and organization on the shop floor, which contrary to what is asserted by a still influential view of Brazilian labor history, seem that not only ran a great deal parallel with the trade unions but even clashed with the latter in some important historical junctures. The result was that relations between industrialists, workers and governments were characterized by conflict, instability and repression. The emergence of a confrontational pattern of industrial relations in post-war Brazil can be illustrated by the overwhelming intervention by governments and industrialists in both trade union matters and on the shop floor.¹¹

A repressive stance by governments and industrialists was manifested already in the first months of the new government elected in December 1945. Early in this year, there had been strikes in hundreds of factories in São Paulo which were led by workers apparently without links with the official trade unions. This first wave of strikes was followed by new demonstrations and industrial actions in the following months. It seems that the strikes and the assertive stance by the rank-and-file caused a deep impression upon the newly-elected Dutra government (January 1946 - January 1951) and the industrialists. By the end of 1945, Paulista industrialists were already denouncing what they saw as the importation of exotic redistributive ideologies, which were being put into practice by social democratic parties in Europe (particularly in the United Kingdom, according to the industrialists) in the wake of wartime destruction. In Brazil, FIESP pointed out that it seemed that 'the workers want[ed] [...] to replace management, and divide what appears to them superfluous. This is the social justice preached by their attitudes. The madness is so great that it causes dismay to comment.'¹² Alarmed by labor demands, in early 1946 the industrialists hailed a strike law passed by the Dutra government, which in practice imposed a ban on industrial action. According to FIESP, labor attitudes at the time were a call for the 'violent dissolution of our traditional political and social institutions, which make up our secular style of political organization.'¹³

¹⁰ R. Maranhão, *Sindicato e Democratização: Brasil, 1945-1950*, São Paulo, Brasiliense, 1979; L. Bethell, 'Brazil', in *Latin America between the Second World War and the Cold War, 1944-1948*, eds L. Bethell & I. Roxborough, Cambridge, Cambridge University Press, 1992.

¹¹ J. French, *The Brazilian Workers' ABC: Class Conflict and Alliances in Modern São Paulo*, Chapel Hill, University of North Carolina Press, 1992; J. Wolfe, *Working Women, Working Men. São Paulo and the Rise of Brazil's Working Class, 1900-1955*, 1900-1955, Durham, Duke University Press, 1993; R. Colistete, *Labour Relations and Industrial Performance in Brazil: Greater São Paulo, 1945-1960*, Houndmills, Palgrave, 2001.

¹² *Revista Industrial de São Paulo* [hereafter *RISP*], no. 13 (1945), p. 64.

¹³ *RISP*, no. 15 (1946), p. 21. For the anti-strike legislation: Decree no. 9,070, 15/3/1946, *Revista do Trabalho* (May-June 1947).

The Dutra government was from the outset committed to the industrialists and soon showed its willingness to curb the emerging labor movement. In addition to the strike law of March 1946, the government decreed a ban on political meetings and demonstrations in cities (including São Paulo) affected by strikes in February 1946, held back long-overdue trade union elections, imprisoned trade unionists accused of being leftists, and stormed newly-founded organizations backed by the communists (such as the United Movement of Workers or MUT).¹⁴ The final crackdown, however, was still being prepared. In September 1946, a FIESP director, Morvan Dias Figueiredo, was appointed to the Ministry of Labor, Industry and Commerce and signaled that he was only waiting for the state elections to act.¹⁵ Meanwhile, there were informed reports that the inner circles of the Dutra government had long been preparing to outlaw the Communist Party as a legal organization.¹⁶

Eighteen months of hesitation came to an end on 7 May 1947, when the Federal Justice outlawed the Communist Party. This decision was likely to have been influenced by the Cold War confrontation, sparked off by President Truman's speech in the US Congress in March 1947. A British diplomat even pointed out that the new Truman Doctrine had been seen in Brazil as a 'green light to anti-communist measures.'¹⁷ The Cold War also reasserted a deep-rooted mistrust among industrialists and other conservative sectors (such as the military and the Catholic Church) of open labor politics in Brazil. Along with the ban on the Communist Party, an additional decree set out intervention in all trade union organizations allegedly under the influence of the communists. As the British Labor Attaché noted at the time, '[o]pen intervention on this scale [...] seems quite unprecedented even under the Dictatorship'.¹⁸ Truly, the catch-all repression affected all labor groups which had not been closely linked with the *Estado Novo* and the Ministry of Labor.

Repression also reached the workplace. The changing political situation apparently stimulated firms which resisted negotiating wage increases directly with workers to embark on a series of repressive measures on the shop floor. For example, the largest metalworking companies in the state of São Paulo confronted walkouts since February 1946 and took advantage of the strike law decreed by Dutra to have more freedom to fire workers on strike. By the end of March only in two industrial cities of Greater São Paulo, Santo André and São Bernardo do Campo, were there about 1400 workers dismissed by metalworking companies. Firms also blacklisted workers who had taken the lead in the walkouts and been fired so that they could not be able to find other jobs.¹⁹ At the same time, the industrial companies sought to assert authority in the workplace by bringing in the police. In certain

¹⁴ Public Records Office [hereafter PRO] Foreign Office [hereafter FO] 371/61204, Annual Report on Brazil - 1946, 13/1/1947, by D. Gainer, p. 11; E. Rowell, Monthly Labor Review (April 1 to May 1, 1946), Record Group (hereafter RG) 84, 850.4, National Archives Building, College Park, MD (hereafter NACP), pp. 16-17; E. Rowell, Monthly Labor Review (May 1 to June 1, 1946), RG 84, 850.4, NACP, p. 8.

¹⁵ PRO FO 371/61204, Trade Union Developments in Brazil, 9/1/1947, by C. German, p. 2.

¹⁶ Since March 1946 at least, the US government had been informed about plans to ban the Communist Party. See e.g. E. Hoover to F. Lyon, Federal Bureau of Investigation, 8/3/1946, RG 59, 832.00B/3-846, NACP.

¹⁷ PRO FO 371/61204, Outlawing of the Communist Party in Brazil, 4/5/1947, by G. Young, p. 2. For the Truman Doctrine, see e.g. W. LaFeber, *America, Russia, and the Cold War, 1945-1996*, 8th edn, New York, McGraw-Hill, 1997, pp. 49-58.

¹⁸ Decree no. 23,046, 7/5/1947. PRO FO 371/61205, Labour Report no. 23, 18/6/1947, by C. German, p. 3.

¹⁹ *Hoje*, 8/3/1946, p. 7; 20/3/1946, p. 8.

cases, management infiltrated policemen to identify and help to dismiss strike leaders. In others, the police was called in to quell meetings and to dissuade workers to not take their demands to management.²⁰

By August 1947, well-informed sources reported that more than 170 trade unions all over Brazil had fallen under the government's new law, with their officials being replaced by appointees of the Ministry of Labor.²¹ In São Paulo, trade unions involved in labor demands during the previous months had their officials ousted, leftist affiliates expelled, and their operations closely watched by the Ministry of Labor and the political police (Department for Political and Social Order or DOPS). At the same time, non-official organizations set up after 1945 were persecuted and declared illegal. The most noticeable case was the Confederation of Brazilian Workers (CTB), established by over 1,500 delegates at a national congress in Rio de Janeiro in September 1946. The CTB was endorsed by about 800 trade unions and arose as the most representative nation-wide labor organization during the immediate post-World War II period.²² Even so, the May 1946 Decree explicitly mentioned the CTB as provoking 'interference with output, order and discipline' and decreed that all trade unions affiliated or contributing to it would be subject to intervention.²³

The CTB was also important because its creation represented a fundamental schism in the trade union movement which would characterize labor politics in Brazil throughout the 1950s. Indeed, the national congress which set up the CTB had originally been a result of a compromise between left-wing and independent trade unionists, on the one hand, and those directly sponsored by the Ministry of Labor, on the other. During the congress, however, the group close to the government walked out when confronted by an overwhelming majority of independent and left-wing delegates.²⁴ As a response to the CTB, the Ministry of Labor first announced the creation of a new organization, the National Confederation of Labor (or CNT). Confronted with legal difficulties and negative reactions in Congress, however, the Dutra government decided to recognize a national confederation already stipulated by the CLT. Thus, on 28 October 1946 President Dutra signed Decree Law 21,798 establishing the National Confederation of Industrial Workers (*Confederação Nacional dos Trabalhadores da Indústria* or CNTI).²⁵ During its short existence, the CTB became by far the most influential organization among trade unions in São Paulo and Brazil as a whole. The CNTI was officially established by the Ministry of Labor only in June 1947, just after the ban on the CTB.²⁶

²⁰ *Hoje*, 4/6/1946, p. 5.

²¹ This number implied that, of the estimated 460,000 workers affiliated to trade unions in Brazil, about 300,000 had been affected by the interventions. See PRO FO 371/61205, Labour Report no. 26, 16/8/1947, by C. German, p. 3.

²² J. Henry, 'Developments in Brazilian Labor Organization Since VJ-Day', *Monthly Labor Review* (March 1947), p. 440.

²³ PRO FO 371/61205, Labour Report no. 23, 18/6/1947, by C. German, appendix 1, p. 2.

²⁴ Henry, 'Developments in Brazilian Labor', pp. 439-440; E. Rowell, *Monthly Labor Review* (August 1 to September 1, 1946), RG 84, 850.4, NACP, p. 6; E. Rowell, *Monthly Labor Review* (September 1 to October 1, 1946), 16/12/1946, RG 84, 850.4, NACP, pp. 3-4. For 'independent trade unionists' we mean the trade union leaders who did not follow the Ministry of Labour's orientation in labour issues

²⁵ E. Rowell, *Monthly Labor Review* (October 1 to November 1, 1946), RG 84, 850.4, NACP, p. 10.

²⁶ Henry, 'Developments in Brazilian Labor', p. 440; PRO Ministry of Labour and National Service [hereafter LAB] 13/498, Labour Report no. 15, 3/1/1947, by C. German, pp. 1-2; PRO FO 371/61205, Labour Report no. 24, 26/6/1947, by C. German.

The major reason for the split in the labor movement was that the CTB retained the allegiance of independents and left-wingers, who had progressively taken the lead in the major trade unions since 1945. While there is no firm evidence as to the extent of communist influence as yet, one source estimated that 9 out of the 15 officials of the provisional executive committee chosen in the CTB congress were linked to the Communist Party.²⁷ Following this trend, the first elected general secretary of CTB was Roberto Morena, the most important communist trade unionist in Brazil during the post-war period. It can be said, therefore, that the split in Brazil's organized labor anticipated the schism in the World Federation of Trade Unions (WFTU) in 1949, which would lead to the formation of the International Confederation of Free Trade Unions (ICFTU) and of two opposed, antagonistic international labor organizations in the divided world of the Cold War. Unlike what happened in European countries, however, the split did not provoke a division of the left nor the isolation of the communists in the Brazilian labor movement.²⁸ The full implications of this fact would become clearer only in the years to come.

A chief aim of Dutra government's labor policy was to establish a new cadre of trusted officials which could speak to the government and industrialists. The key figure in this policy was Morvan Dias Figueiredo, the FIESP's representative in charge of the Ministry of Labor. As long as the repression hit all active trade unions in Brazil from 1947, Figueiredo sought to replace many officials with hard-core *ministerialistas* who had been identified with the *Estado Novo* apparatus. In fact, the aim of finding faithful labor leaders was already being pursued by Paulista industrialist leaders for some time. For example, during the strikes of 1946 FIESP only accepted to negotiate with workers associated to the *Estado Novo* structure. The evidence suggests, however, that industrialists and the government were not successful in consolidating a reliable labor leadership. Early in 1948, Morvan Figueiredo had already recognized that appointed trade unionists had very little support among the rank and file and were not a viable alternative to the left and independents.²⁹ The only alternative at the time, Figueiredo implied, was to suspend all free elections for trade unions and stick to a hard-line policy on labor.

Still, not only of repression was made the history of labor relations in Brazil between 1945 and 1950.³⁰ The data and estimates on wages and labor productivity in Tables 1 and 2 help to uncover other trends in Brazilian and Paulista industry at the time. The tables also show the evolution of the unit labor costs W/LP, i.e., the wage costs per unit output. Initially, average real wages in both Brazil's and the state of São Paulo's manufacturing industry fell sharply in 1947: - 11.9 per cent and - 11.1 per cent, respectively. It seems therefore that Dutra's economic and wage policy caused a major adjustment in labor markets from the end of 1946, with a significant impact on real wages.

²⁷ E. Rowell, Brazilian Labor Congress, 9/12/1946, RG 59, 832.504/12-946, NACP, enclosure. Rowell also mentioned estimations of the actual number of communist delegates in the CTB Congress: 200 out of 1,500. See E. Rowell, Monthly Labor Review (September 1 to October 1, 1946), RG 84, 850.4, NACP, p. 3.

²⁸ On WFTU split and ICFTU composition, A. Carew, 'The Schism Within the World Federation of Trade Unions, Government and Trade Union Diplomacy', *International Review of Social History*, 24 (1984), pp. 297-335 and 'Conflict Within the ICFTU: Anti-Communism and Anti-Colonialism in the 1950s', *International Review of Social History*, 41 (1996), pp. 147-181.

²⁹ PRO FO 371/68167, Labour Report no. 37, 26/1/1948, by C. German, p. 2.

³⁰ Quantitative and qualitative data on welfare and detailed description of measures aimed to elicit workers' effort are provided in Colistete, *Labour relations and industrial performance in Brazil*.

Dutra's policies had lasting effects at the national level, as real wages in Brazil's manufacturing industry only recovered from 1950, after erratic behavior in 1948 and 1949 (Table 1, column 1).

Table 1 - Wages and productivity in manufacturing industry, Brazil, 1945-1962
(1952=100)

Year	Wages (W) (1)	Productivity (LP) (2)	Unit labor costs (W/LP) (3)
1945	83	[76]	[1.10]
1946	94	[75]	[1.25]
1947	84	[86]	[0.98]
1948	87	[87]	[0.99]
1949	79	94	0.84
1950	[86]	[96]	[0.89]
1951	[93]	[98]	[0.95]
1952	100	100	1.00
1953	93	102	0.91
1954	104	104	1.00
1955	106	111	0.95
1956	113	122	0.93
1957	114	130	0.88
1958	118	150	0.78
1959	115	157	0.73
1960	[118]	[162]	[0.73]
1961	[121]	[166]	[0.72]
1962	123	171	0.72

Sources: see appendix.

In São Paulo, however, existing data show that there was a significant push in industrial wages during the remaining years of the Dutra government: an annual compound rate of growth of 8.8 per cent in São Paulo against 0.8 per cent in Brazil, between 1947 and 1950 (as calculated from Table 2, column 1).³¹ At least with regard to the state of São Paulo, such an outcome suggests that alongside the hard-line labor policy of both government and companies, there were wage increases above the current levels of inflation between 1947 and 1950. This result is particularly relevant given that there was no modification in minimum-wage levels during these years. A possible reason for such increasing wages is the existence of a 'social subsistence wage'. Another possibility is that specific labor policies implemented by firms and growing pressures by shop-floor organizations, fuelled by expanding industrial output from 1948, pushed up real wages despite widespread repression at trade union level. Both hypotheses, however, still have to be tested.³²

³¹ The formula for calculating the annual compound rate of growth is shown in the appendix. Hereafter, all rates of growth will be calculated according to this formula, from the indexes presented in Tables 1 and 2.

³² J. Wells, 'Industrial Accumulation and Living Standards in the Long-Run: The São Paulo Industrial Working Class, 1930-1975, Part II', *The Journal of Development Studies*, 19 (1983), p. 301; Colistete, *Labour relations and industrial performance in Brazil*, chapter 2.

*Table 2 - Wages and productivity in manufacturing industry, São Paulo, 1945-1962
(1952=100)*

Year	Wages (W) (1)	Productivity (LP) (2)	Unit labor costs (W/LP) (3)
1945	82	[87]	[0.94]
1946	90	[81]	[1.11]
1947	80	[95]	[0.85]
1948	82	[95]	[0.87]
1949	95	97	0.98
1950	103	94	1.09
1951	[101]	[97]	[1.04]
1952	100	100	1.00
1953	98	102	0.96
1954	108	105	1.03
1955	108	109	0.99
1956	115	119	0.97
1957	116	130	0.90
1958	121	147	0.82
1959	109	158	0.69
1960	[110]	[161]	[0.68]
1961	[111]	[164]	[0.68]
1962	112	167	0.67

Sources: see appendix.

Less ambiguous were the results of productivity. The indexes in Table 1 and 2 suggest that labor productivity lagged behind wages levels in 1945 (Brazil) and 1946 (Brazil and São Paulo), what may help explain industrialist opposition to workers' demands in such years and the use of repression in an attempt to discipline labor markets. Anyhow, there was a recovery of labor productivity in the following years. In Brazil, the unit labor costs fell from 1.10 in 1945 to 0.84 and 0.89 in 1949 and 1950, respectively. As for São Paulo, the same index dropped from 1.11 in 1946 to 0.85 in 1947, though it was followed by an increase to 0.98 and 1.09 in 1949 and 1950, respectively. In both cases, what these estimates indicate is that firms took advantage of Dutra's labor policies to rationalize their production processes and increase the extraction of workers' effort. In São Paulo, such policies appear to have even allowed firms to partially accommodate workers' demands in the form of higher real wages. Partial accommodation of labor's claims, however, took place amidst a political and institutional situation wholly adverse for workers' organization. A confrontational pattern of labor relations was already set to become a feature in Brazil's political economy by the end of the 1940s.

The recovery of trade unions

Trade unions experimented a slow recovery from the setbacks during the Dutra government. Although Getúlio Vargas had been elected in the end of 1950 in the wake of a broad appeal to labor, during the first year his government took a careful line regarding the trade unions under intervention. Only on 1 May 1951, the Minister of Labor, Danton Coelho, officially announced his intention of holding free elections for trade union offices during the following months. In particular, Coelho promised to abolish the 'ideology

certificate' (*certificado de ideologia*), a personal document issued by the DOPS and aimed to identify left-wing candidates and prevent them from running for trade union office. Despite the announced liberalizing measures, the *certificado de ideologia* was officially revoked only in September 1952; in the meantime, the convocation of trade union elections went ahead slowly throughout 1951 and 1952.³³ Together with a cautious approach to organized labor, the Ministry of Labor launched an affiliation campaign for new members of trade unions in order to strengthen the position of pro-government trade unionists in the labor movement. The aim was clearly to confront the expected growth in the number of leftists and independents in the forthcoming trade union elections.³⁴

The replacement of Danton Coelho by Segadas Viana at the Ministry of Labor in September 1951 reinforced the government's ambiguous attitude towards organized labor – an attitude which combined speeches on syndical freedom and frequent interventions in trade union issues.³⁵ It was only with the appointment of João Goulart to the Ministry of Labor in June 1953 that an aggressive labor policy was implemented by the Vargas government. The new Minister was at the head of a large section of *trabalista* (from the Brazilian Labor Party or PTB) trade unionists and sought to establish his group as a powerful force in the Brazilian labor movement. Goulart's strategy was to build up a working relationship with the communists and other left-wingers while at the same time presenting himself as an alternative to the left.³⁶ Although Goulart would be removed from the Ministry of Labor during a serious political crisis in March 1954, he retained a strong influence over *trabalhista* labor leaders and the government bureaucracy during the remainder of the Vargas administration and beyond. Goulart's influence over labor was a major asset in his successful bid for the Vice-Presidency between 1956 and 1961.³⁷

The result of the gradual slackening of the government's grip on trade unions, more clearly after late 1951, was a resurgence of organized labor in the Brazilian political scene. In São Paulo, the main expression of this was the setting up of the Inter-Syndical Unity Pact (*Pacto de Unidade Inter-Sindical* or PUI) by the largest and more militant trade unions in the state. The Unity Pact was a result of a huge industrial action which brought Greater São Paulo to a standstill during March and April 1953. In the following years, the PUI turned out to be the most representative and influential labor organization in São Paulo, despite of the fact that it was never granted official recognition by successive governments. As with the CTB in 1946-47, the Unity Pact formed a broad coalition of independents and left-wing activists who held key positions in Paulista trade unions.³⁸

Still, the realization of trade union elections, and the creation of strong parallel organizations such as the PUI, did not put an end to the threats looming over the newly

³³ PRO FO 371/103253, Labour Report no. 69, 25/2/1953, by L. Mitchell, p. 7; H. Hammond, Quarterly Labor Report - Third Quarter 1951, 17/10/1951, RG 59, 832.06/10-1751, NACP, p. 14.

³⁴ H. Hammond, Minister of Labor's Report on Status of Syndicates, 2/3/1951, RG 59, 832.06/3-251, NACP, p. 2.

³⁵ E.g., PRO FO 371/103253, Labour Report no. 75, 29/10/1953, by L. Mitchell, p. 11.

³⁶ I. Salert, Labor Report - Second Quarter 1953, 20/8/1953, RG 59, 832.06/8-2053, NACP; I. Salert, Labor Report - Third Quarter 1953, 18/11/1953, RG 59, 832.06/11-1853, NACP, pp. 2-5; I. Salert, Labor - Last Quarter, 1953, 4/2/1954, RG 59, 832.06/2-454, NACP, pp. 1-2.

³⁷ On the removal of Goulart, PRO LAB 13/503, Labour Report no. 79, 9/3/1954, by L. Mitchell. For Goulart's influence over labour, J. Fishburn, Annual Labor Report for 1958, 12/3/1959, RG 59, 832.06/3-1259, NACP, pp. 1-3.

³⁸ E.g., *Noticias de Hoje* [hereafter NH], 9/5/1954, front page and p. 6; 15/5/1954, pp. 6 and 8; 2/9/1954, p. 2.

reorganized labor movement. In particular, following Vargas's suicide in 1954, the short Café Filho government (August 1954-November 1955) took an uncompromising attitude towards organized labor by interfering in trade union issues. The Minister of Labor, Napoleão Guimarães, barred elected trade unionists accused of being leftists from taking office (for example, at the São Paulo Trade Union of Textile Workers); acted to quell industrial actions (for example, in the tramway industry in Rio de Janeiro); and enacted a decree banning all inter-union committees (including the PUI) set up by organized labor in the previous months in Brazil.³⁹ Only with the end of the Café Filho tenure, and the appointment of Nelson Omega as Minister of Labor, could the trade union movement work again without systematic intervention by the government.

Under the Juscelino Kubitschek government (January 1956 - January 1961) there was a substantial growth of trade union activities and their influence in Brazilian society. Overall, the Ministry of Labor refrained from exercising a tight control over trade union issues, and sought to bolster the moderate and *trabalhista* wing of the labor movement – against the leftists and independents who were at the head of the most powerful official trade unions and parallel organizations. In São Paulo, this policy allowed for a substantial expansion of the Inter-Syndical Unity Pact, which by mid-1957 claimed to have about 104 affiliated trade union organizations – including the largest ones in the state of São Paulo.⁴⁰ In addition to dealing with traditional labor issues, the PUI and individual trade unions embarked on campaigns for the revision of minimum wage levels, social security reform, and even on macroeconomic issues such as inflation and industrial policy.⁴¹ In the late 1950s, the PUI was replaced by the Trade Union Council (*Conselho Sindical dos Trabalhadores* or CST) as the major inter-union organization in the state of São Paulo. Launched in September 1959, the CST was apparently an attempt by *trabalhistas* and *janistas* (linked to Jânio Quadros, Governor of São Paulo and elected President in 1960) to regain the initiative in the labor movement in São Paulo. However, the left and independents decided to participate in the venture and soon took over the major positions in the new trade union organization.⁴²

The 1956-1961 years were also important for the increasing ideological disputes in the labor movement. On the domestic scene, the hard-line trade unionists (*ministerialistas*) traditionally close to government remained in control of state federations and national confederations – such as the CNTI. The influence of this group over the rank and file and intermediate labor leaders was small, so that its major activity was restricted to high-level articulation and contacts (with government officers, US embassy, and ICFTU) aiming to

³⁹ I. Salert, Visit to Labor, Industry and Commerce Minister Alencastro Guimarães, 21/9/1954, RG 59, 832.06/9-2154, NACP; I. Salert, Quarterly Labor Review - Third Quarter 1954, 8/10/1954, RG 59, NACP; PRO LAB 13/503, Labour Report no. 81, 14/10/1954, by L. Mitchell, pp. 1-2.

⁴⁰ *NH*, 1/5/1957, p. 2.

⁴¹ B. Sowel, Official Report on Labor, Year 1958, 16/3/1959, RG 59, 839.06/3-1659, NACP, pp. 2-3; PRO LAB 13/1339, Labour Report no. 16/59, 10/6/1959, by R. Morris.

⁴² PRO LAB 13/1339, Labour Report no. 33/59, 10/10/1959, by R. Morris, p. 1; PRO LAB 13/1339, Labour Report no. 40/59, 12/11/1959, by R. Morris, pp. 1-2; J. Fishburn, Brazilian Labor 1959, 7/12/1959, RG 59 832.06/12-759, NACP, pp. 6-7; W. Cochran, City of São Paulo Trade Union Convention, 18/4/1960, RG 59, 832.062/4-1860, NACP; R. Burton, Goulart Appears to Have Headed Off Split in São Paulo Labor Movement, 31/8/1960, RG 59, 832.062/8-3160, NACP. For a strong criticism, by a left-wing group, of the dissolution of the PUI and participation in the CST, see *Ação Socialista*, Oct. 1959, p. 3. The group was the *Liga Socialista Independente*.

contain the growth of the left in the Brazilian labor movement.⁴³ On the other hand, there was fierce competition among *trabalhista*, independent, left-wing and other groups for hegemony in the trade unions. In São Paulo, significant examples of this were, first, the formation of the Trade Union Renewal Movement (*Movimento Renovador Sindical*) from a split in the Communist Party in 1957; second, the growth of the Catholic militancy and, third, the emergence of groups associated to Jânio Quadros and João Goulart.⁴⁴ Notwithstanding increasing disputes, the Communist Party remained the single most powerful political force in the labor movement in São Paulo and Brazil during the second half of the 1950s. It was made clear in regional and national trade union conferences in 1960, when the communists were able to decisively influence the sorts of issues discussed and the resolutions adopted.⁴⁵ Likewise, in 1958 the US Labor Attaché deemed that the communists had significant influence or control over one-third of the 250 trade unions and 6 out of 15 federations in the state of São Paulo – including the largest in terms of number of workers, that is, the São Paulo textile and metal workers’ trade unions.⁴⁶ It seems, therefore, that in the late 1950s, as had happened in the 1940s, industrialists and governments also failed to create a representative wing of labor leaders which could successfully compete with the leftists and independents at the top of the major trade unions.

What happened to wages and productivity during the recovery of trade unions? As mentioned earlier, there were concerted attempts by Vargas and *trabalhistas* to forge a closer relationship with workers between 1951 and 1954. However, real industrial wages were unstable at the time, differently from what perhaps would be expected from a period dominated by a government highly interested in establishing a close link with the working classes. In Brazil’s manufacturing industry, an estimated wage increase of 7.8 per cent p.a. between 1950 and 1952 was followed by a drop of 7.0 per cent in 1953, and then by an increase of 11.8 per cent in 1954 (Table 1, column 1). The record of industrial wages in São Paulo was worse than in Brazil as a whole. Wages deteriorated between 1950 and 1953 (with a fall of 1.6 per cent p.a.) and only in 1954 was there an appreciable improvement in average wage levels (10.2 per cent between 1953 and 1954) (Table 2, column 1). Another thrust in the struggle for real wage increases was to happen in the following years. Still, there were substantial yearly variations, especially in São Paulo. In Brazil’s manufacturing industry, industrial wages grew at a compound rate of 2.2 per cent p.a. during the Kubitschek government – or 2.1 per cent p.a. if 1962 is taken as a more reliable reference year (Table 1, column 1). São Paulo’s industrial wages did worse. After an increase of 3.9 per cent p.a. between 1955 and 1958, manufacturing wages fell by 9.9 per cent in 1959 and nearly stabilized in the following years. The compound rate of growth was only 0.52 per cent p.a. between 1955 and 1962 (Table 2, column 1).

⁴³ E.g., J. Fishburn, Deterioration in Leadership and Anti-Communist Unity of the Three Older Labor Confederations, 30/6/1960, RG 59, 832.062/6-3060, NACP.

⁴⁴ On the *Movimento Renovador Sindical*, see T. Harding, *The Political History of Organized Labor in Brazil* Stanford University, Ph.D. thesis, 1973, pp. 330-343. For the Catholic militants, see H. Martins, *Igreja e Movimento Operário no ABC*, São Paulo, Hucitec, 1994, chs. 1-2. On the PTB and João Goulart’s supporters, M.V. Benevides, *O PTB e o Trabalhismo. Partido e Sindicato em São Paulo, 1945-1964*, São Paulo, Brasiliense, 1989, chs. 5-6; and on Jânio Quadros’s supporters: J. Fishburn, Brazilian Labor 1959, 7/12/1959, RG 59, 832.06/12-759, NACP, pp. 6-7.

⁴⁵ W. Cochran, City of São Paulo Trade Union Convention, 18/4/1960, RG 59, 832.062/4-1860, NACP; J. Fishburn, Third National Labor Congress, 4/8/1960, RG 59, 832.062/8-460, NACP.

⁴⁶ B. Sowell, Briefing Paper on Labor in São Paulo, 27/10/1958, RG 59, 832.06/10-2758, NACP, p. 16.

Labor productivity grew slowly in the early 1950s – 2.0 per cent p.a. in Brazil and 2.8 per cent p.a. in São Paulo between 1950 and 1954. As a result, unit labor costs oscillated without a clear trend in the period: in Brazil, labor productivity surpassed wages in 1951 and 1953, but fell behind wage levels in 1952 and 1954; in São Paulo, labor productivity did better in 1953 but was below wage levels in 1951 and 1954 (Tables 1 and 2, columns 2). Yet, in a clear departure from its earlier performance, labor productivity exhibited a strong upward trend in the 1955-1962 period. Tables 1 and 2 indicate that labor productivity in Brazil's manufacturing industry rose 7.4 per cent p.a. between 1954 and 1962, whereas in São Paulo the increase was of 6.9 per cent p.a. in the same period (columns 2). Consequently, unit labor costs (columns 4) experienced a noticeable decline between 1954 and 1962: from 1.00 to 0.72 (Brazil) and from 1.03 to 0.67 (São Paulo). This was an unprecedented outcome during the post-war years and suggests that organized labor was not able to avoid a decreasing share in the output per head, precisely when labor productivity soared in Brazilian and Paulista manufacturing industry.

The basis for a corporatist accommodation between labor and management, which could turn the upsurge in productivity in an equivalent increase in real wages and welfare, seemed precarious during the 1950s and early 1960s. Industrialists, on the one hand, and the most influential sections of the trade union movement on the other, advocated very different views on the position the working class should occupy in Brazilian society at the time. As a consequence, wage setting remained a source of continuous clashes and disputes between industrialists and the trade union movement. In the same way, the political divide prevented labor organizations from participating directly or indirectly in the formulation of economic and social policy. Particularly during the second half of the 1950s, the trade union movement was increasingly looking at the general economic issues as their direct concern, so that there was a potential base for collaboration and advancing labor demands as well as wider social reforms. Nonetheless, industrialists showed little disposition to negotiate wages and other issues called for by organized labor in São Paulo and Brazil at the time. For example, Paulista industrialists systematically rebuked all attempts to improve social legislation during the 1950s, including working week, maternity leave, compensation for accidents and restrictions to night work.⁴⁷ The crucial issue for Brazilian industrialists seems to have been that they were still highly suspicious of the leadership of the major trade unions and inter-union organization. An attempt to change this situation was made by the powerful international trade union organizations from the mid-1950s. The outcome will be seen in the following section.

Trade unions and the Cold War: the ICFTU in Brazil

The conflicts among diverging orientations in the trade union movement were amplified by the Cold War. In particular, international labor politics started to play a part in disputes and conflicts within the trade union movement in Brazil during the second half of the 1950s. The ICFTU's inter-American section, *Organización Regional Interamericana de Trabajadores* (or ORIT), had been set up in January 1951 at a conference in Mexico to coordinate the anti-communist trade unions in the Western Hemisphere. A few years later, in April 1953, an ICF/ORIT office was established in Rio de Janeiro with the express aim of fighting the left-wing influence in Brazil's trade unions. The office was located at the CNTI headquarters and employed one full-time trade unionist, who was in charge of propaganda

⁴⁷ *Boletim Informativo da FIESP*, no. 98 (1951), p. 31; 156 (1952), p. 326; 223 (1954), pp. 26-32; 452 (1958), pp. 701-2.

and contacts between the ICFTU/ORIT and Brazilian labor unions. A Consultative Council was initially composed by organizations which had been in liaison with ICFTU since its foundation in 1949 – the national confederations of industrial (CNTI) and commercial workers (CNTC) plus five federations.⁴⁸

Despite its ambitious beginnings, the ICFTU/ORIT office in Brazil was beset with quarrels and internal disputes, so that it was ineffective throughout the rest of the 1950s. The major obstacle to the operation of the office seems to have been the cautious support provided by the small number of organizations which made up the Consultative Council. For instance, the long-standing president of CNTI, Deocleciano Cavalcanti, on various occasions showed his reticence in following the strict anti-communist line prescribed by the ICFTU/ORIT, and even in being publicly associated with these international organizations.⁴⁹ As a high-level observer noted in 1957, ‘with the exception of Pequeno [president of the National Federation of Urban Workers] and his friends, the others seem[ed] to be afraid of showing too much sympathy with ORIT and the ICFTU’.⁵⁰

The cautious approach to the ICFTU/ORIT, taken by leading *ministerialistas*, seems to be directly related to the great influence of the left and independents in the post-war trade union movement in Brazil. In the highly competitive and radicalized contest for the key positions in the Brazilian labor movement during the 1950s, the link with an organization widely regarded as controlled by the US government and trade unions (as was indeed the case of ORIT) tended to represent a serious risk of eviction from labor politics. Furthermore, even the hard-line leadership of the national confederations and federations had to bargain with left-wing opposition in the day-to-day business of trade unions. This was what happened, for example, with the CNTI in the late 1950s, to the dismay of ICFTU representatives.⁵¹ In such a political environment, therefore, the impact of the ICFTU/ORIT office could only be indirect and limited. If, on the one hand, the office helped to reinforce Cold War labor politics by providing an international link to the anti-communist forces operating in Brazil, on the other hand it could hardly be successful in establishing a solid anti-communist trade union block according to its original plans.

The low impact of ICFTU had important consequences for labor-management relations in the context of the highly polarized politics of the Cold War. Despite strenuous efforts, governments and industrialists in the past, and now the ICFTU, were not able to consolidate a cadre of ‘moderate’ labor leaders able to hold key positions in the larger trade unions and, in particular, among the rank and file and intermediate labor leaders. Likewise, there was no split in the labor movement which led to the isolation of the communists and leftists in general. It is true that the left and independents showed great eagerness to collaborate with the government in a programme which included fast industrial growth and

⁴⁸ On the foundation of the Rio Office: ICFTU - Regional Fund Committee, 4th meeting, Brussels, 9-11 Feb. 1953, p. 4; T. Gomez to J. Oldenbroek, 18/3/1953, South America, General Correspondence, 5319, ICFTU Archives, International Institute of Social History, Amsterdam (IISH hereafter); Arturo Jáuregui to J. Oldenbroek, 13/9/52; T. Gomez to J. Oldenbroek, 17/8/1953, Brazil, General Correspondence, 5366, ICFTU Archives, IISH. For the office’s affiliates: J. Araújo to J. Oldenbroek, 16/8/1954, Brazil, Correspondence with/on the Rio Office, 5373, ICFTU Archives, IISH.

⁴⁹ E.g., D. Angelo to C. Millard, 1/12/1958; Memorandum (Confidential), 4/1/1958; R. Otero to H. de Horne, 20/1/1958, Brazil, General Correspondence, 5368, ICFTU Archives, IISH.

⁵⁰ Herman to C. Millard, 17/12/1957, Brazil, General Correspondence, 5367, ICFTU Archives, IISH.

⁵¹ E.g., D. Angelo to H. Horne, 12/9/1958, Brazil, Correspondence with/on the Rio Office, 5374; R. Borlaff to H. Horne, 20/1/1958, Brazil, General Correspondence, 5368, ICFTU Archives, IISH.

economic development. The majority of the labor leaders also lent support on various occasions to the protection of the national industry, price controls and anti-cyclical economic policies. However, in all these cases the leadership and the rank and file did not put aside the demand for better wages, workplace improvements and social rights. Instead, trade unions and the PUI advanced a view that economic development should incorporate and share its benefits with the working class, by means of increasing real wages and welfare. A leftist leadership and a trade union movement that pursued economic gains, welfare and social reforms were hardly the sort of partners longed for by industrialists at the time. A confrontational pattern of labor relations, which had emerged in the 1940s, seems to have been established as a feature of Brazil's political economy during the 1950s and the early 1960s.

Conclusions

The tensions and conflicts generated by the industrialization process in Brazil were directly reflected in the sensitive area of labor relations during the post World War II period. Notwithstanding the highly centralized system of industrial relations inherited from the *Estado Novo*, state intervention failed to inhibit the organization and political expression of an increasingly numerous and diversified working class. The result was the taking over of a large section of official trade unions by left-wing and independent groups and the proliferation of organizations parallel to the official corporatist structure after 1945. Compared to other historical experiences, even the powerful anti-communist forces organized world-wide by the ICFTU would not have a substantial influence on labor politics in Brazil during the 1950s. Instead of a corporatist accommodation between labor and managers that pursued economic growth and linked real wage increases to productivity, the gap between wages and productivity widened up and reduced the share of workers' wages in the output per head. Prospects of eliciting labor co-operation at firm-level and in the society at large under such circumstances could be hardly achieved.

Two questions remain. Firstly, why were left-wing groups so prominent in Brazilian trade unions? The reason partly seems to lie in the repressive stance taken by both governments and employers in the immediate post-war years. Repression alienated even moderate labor leaders and made workers in general very distrustful of the cadre of official trade unionists cultivated by governments and industrialists. The left and independents rapidly filled the gap and consolidated their positions in the labor movement, despite the hostile political environment. The communists in particular were able to establish a relatively solid foundation among the most militant sections of labor leaders and the rank and file. When the political situation changed, left-wing groups and independents occupied the main positions in the official trade union structure (and set up parallel organizations), soon becoming the most active and reliable representatives of organized labor in São Paulo and Brazil.

Secondly, why did industrialists tend to be so reticent about negotiating wages and welfare with organized workers? It seems that the uncompromising stance taken by industrialists was greatly reinforced by the Dutra government's full commitment to Cold War politics. The brief political liberalization between 1945 and early 1947 was marked by industrial leaders calling for order and containment of the wave of industrial actions. The opportunity to curb the re-emerging labor movement came with the Truman Doctrine of early 1947. Industrialists gave their full support to the wave of repression in trade unions

and played their part at firm-level by firing workers and tightening factory discipline. Therefore, rather than accepting a new role for the working class in Brazilian political economy, and supporting open politics and negotiating economic benefits and social rights, the industrialists backed an adjustment to the new post-war juncture which relied upon repression and large-scale intervention in labor issues.

A possible reason for such development goes beyond a deeply-ingrained bent for authoritarianism by Brazilian industrialists. As shown before, productivity growth was possibly slow in the early post-war years and this may help explain the hard-line stance by industrialists. Moreover, long-standing industrial practices, based on low wages, poor conditions, and limited training of the labor force, tended to undermine the search for incremental improvements in industrial products, processes and organizational structures which could lead to steady increases in productivity. Thus, industrial companies in São Paulo and Brazil may have seen the containment of workers' demand for better wages, conditions and welfare as a way to fight a situation which threatened their own survival as economic entities. Yet, if such a hypothesis seems plausible for the early post-war years, the same is not true for the second half of the 1950s, when productivity soared in the manufacturing industry. In the latter period, the reasons for the industrialists' reticence for negotiating wages and welfare with organized labor seem to be mostly related to the particular developments in the trade union movement, as the left and independents took over the major trade unions in Brazil and were not considered reliable partners by employers.

The anti-communist policy promoted world-wide by the US government found in Brazilian elites and governments its most dedicated supporters – to the extent that the largest country in Latin America soon became a safe area in terms of communist threat. In particular, the Dutra government's attempts to evict the communists from public life showed that the US government could direct its energies to other regions less successful in their struggle against left-wingers. This situation helped to produce an unexpected outcome, at least for local elites – the exclusion of Brazil (and Latin America) from the major inflows of US capital during the 1940s and 1950s. Another consequence – though less recognized today – was that independents and left-wingers established a firm foothold in Brazil's trade union movement. Only at the end of the 1950s did the US government become aware of the ground it had lost to the left-wing forces in Brazilian trade unions and of the dangerous situation created for its strategic interests in Latin America.

Compared to the post-war history of Western European countries and Japan, the different outcomes of labor politics in Brazil could not be more striking. Whereas in Europe and Japan, non-communist trade union leaders paved the way for a social democratic contract for growth, in Brazil the agenda for social reform was headed by the communists and other left-wing groups. Whereas in Europe and Japan management counted on 'moderate' labor leaders for a productivity drive in exchange for economic and social benefits, in post-war Brazil, employers held an anti-labor policy – both on the shop floor and in society at large – eschewing compromise with demands for real wage increases and welfare by the leftist labor militancy. The divided world of the Cold War made even more difficult any settlement conducive to a compact for growth in Brazil, which had the difficult task of bringing together management and communist labor leaders.

The irony is that where the US anti-communist foreign policy found its most willing followers, even disposed to evict left-wingers from trade unions by force, as in post-war

Brazil, a social basis for sustained growth and social reform turned out to be more and more unlikely. In Europe, in turn, US policy-makers had to deal with consolidated social democratic groups in order to prevent the hegemony of the pro-Soviet trade union militancy. The adoption of a crude anti-communist policy gave way to bargaining large-scale resources and assistance epitomized by the Marshall Plan. Meanwhile, in Brazil and Latin America, eager cold-warriors sought to implement by all means available the anti-communist line hinted at by the Truman Doctrine. Does this mean that the social compact for growth could only become a historical reality because of the limits posed to the US anti-communist thrust in Europe and Japan?

In any case, for Brazil the effects of post-war labor politics were clear. Even when conditions were favorable for economic growth and democracy, relations between industrialists and labor remained essentially hostile and antagonistic during most of the 1950s and early 1960s. Results were felt a few years later, when the acute political and social conflicts reached their climax with the military coup which for a long time radically altered the prospects for democracy and social reform in Brazil.

Appendix

Sources

Yearly data for Tables 1 and 2 were obtained as follows:

1) Wages:

1945-1948 - Instituto de Aposentadoria e Pensões dos Industriários (IAPI), Brazil and state of São Paulo: IBGE, *Anuário Estatístico do Brasil*, 1941 to 1945, 1947, 1948, 1951. Figures refer to wages paid in July.

1950 (São Paulo), 1952-1958: Registro Industrial, Brazil: IBGE, *Anuário Estatístico do Brasil*, 1952, 1955, 1956, 1957, 1959, 1960, 1965. Registro Industrial, state of São Paulo: *Anuário Estatístico do Brasil*, 1952; IBGE, *Produção Industrial de São Paulo*, 1952, 1953, 1954, 1955; IBGE, *Produção Industrial Brasileira*, 1956, 1957, 1958. Mean wages of monthly average production workers.

1949 e 1959: Censo Industrial, Brazil and state of São Paulo: IBGE, *Anuário Estatístico do Brasil*, 1955, 1963. Mean wages of monthly average production workers.

1950 (Brazil), 1951, 1960, 1961: estimated by interpolation using the formula of annual compound rate of growth.

Nominal average wages were converted to cruzeiros at 1952 rate by using the following price indexes: Table 1 - Brazil: the consumer price index of the Ministry of Labor between 1948 and 1962; for 1945-47, national wages were deflated by the consumer price index of São Paulo Prefecture. Table 2 - São Paulo: the consumer price index of São Paulo Prefecture. Source: IBGE, *Estatísticas Históricas do Brasil*, 2nd ed., Rio de Janeiro, IBGE, 1990.

2) Labor productivity:

1950 (São Paulo), 1952-1958, 1949 e 1959: number of workers, same sources as 1) above. Labor productivity indexes were obtained by dividing the *valor da transformação industrial* (a measure similar to the industrial value added: see IBGE, *Estatísticas Históricas do Brasil*, p. 370) by the monthly average number of production workers.

1950 (Brazil), 1951, 1960, 1961: estimated by interpolation using the formula of annual compound rate of growth.

1945-1948: number of workers, same sources as 1) above. Given the lack of data similar to industrial value added for such years, estimated measures were obtained by backward extrapolation of the annual compound rate of growth of the *valor da transformação industrial* between 1949-1952 (Brazil) and 1949-1951 (São Paulo) – see the formula below. The annual compound rates of growth obtained were 2.6 per cent (Brazil) and 1.0 per cent (São Paulo). The years 1949-1952 (Brazil) and 1949-1951 (São Paulo) were chosen as the basis for extrapolation because of their relative stability before the structural break identified in Brazil's and São Paulo's *valor de transformação industrial* series (1952 and 1953, respectively) by a dummy variable test for structural stability identical to that presented below for the labor productivity series.

Nominal *valor da transformação industrial* was converted to cruzeiros at 1952 rate by using the *Índice Geral de Preços - Disponibilidade Interna*, produced by Fundação Getúlio Vargas. Source: IBGE, *Estatísticas Históricas do Brasil*.

Calculating the annual compound rate of growth

The annual compound rate of growth (i) is implicitly defined by

$$X_t = X_0 \left(1 + \frac{i}{100}\right)^t$$

where

$$X_t = \text{value of } X \text{ at time } t$$

Given X_0 and X_t from the previous formula, the annual compound rate of growth between 0 and t may be obtained as follows

$$i = \left[\left(\frac{X_t}{X_0} \right)^{1/t} - 1 \right] 100$$

Testing structural stability in labor productivity series

The following model was estimated for both Brazil and São Paulo:

$$w \quad p \quad (1)$$

where

$$\begin{aligned} \ln LP &= \text{the natural logarithm of labor productivity LP} \\ D_i &= 0 \text{ for observations before 1955 (Brazil) and 1956 (São Paulo)} \\ &= 1 \text{ for observations from 1955 (Brazil) and 1956 (São Paulo)} \\ X_i &= \text{time} \\ \mu_i &= \text{error term} \end{aligned}$$

Regressions for the subperiods are:

$$E(\ln LP / D_i = 0, X_i) = \alpha_1 + \beta_1 X_i \quad (2)$$

and

$$E(\ln LP / D_i = 1, X_i) = (\alpha_1 + \alpha_2) + (\beta_1 + \beta_2) X_i \quad (3)$$

The results based on the models (1), (2) and (3) are as follows:

Brazil

$$\begin{aligned} \ln LP &= 8.29 - 0.26D_i + 0.04X_i + 0.03D_i X_i \\ t &= (293.623)(-2.642) (8.081) (3.409) \\ R^2 &= 0.981 \\ F &= 238.160 \end{aligned}$$

Model for subperiod 1945-1954 ($D_i = 0$)

$$\ln LP = 8.29 + 0.04 X_i$$

Model for subperiod 1955-1962 ($D_i = 1$)

$$\begin{aligned} \ln LP &= (8.29 - 0.26) + (0.04 + 0.03) X_i \\ &= 8.03 + 0.07 X_i \end{aligned}$$

São Paulo

$$\begin{aligned} \ln LP &= 8.59 - 0.28D_i + 0.02 X_i + 0.09D_i X_i \\ t &= (317.701)(-2.279) (5.717) (3.831) \\ R^2 &= 0.97 \\ F &= 181.977 \end{aligned}$$

model for subperiod 1945-1955 ($D_i = 0$)

$$\ln LP = 8.59 - 0.02X_i$$

model for subperiod 1956-1962 ($D_i = 1$)

$$\begin{aligned}\ln LP &= (8.59 - 0.28) + (0.02 + 0.03)X_i \\ &= 8.31 + 0.05X_i\end{aligned}$$

As the differential intercept and the differential slope coefficients (α_2 and β_2 , respectively) are statistically significant (as indicated by t statistics) in both Brazil and São Paulo's basic models, there is strong evidence that labor productivity series are not continuous through time, ie, that there is a structural break in the series. The models for subperiods show the different intercept and slope coefficients for each subperiod in which the Brazil and São Paulo's series were split.

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