

## The 'Pink Tide' and Brazil's Workers' Party

Written by Victor Strazzeri

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VICTOR STRAZZERI, JUL 8 2016

One month after Dilma Rousseff's suspension from office on the grounds of supposed fiscal irregularities it is still too early to take toll of the ongoing political turmoil in Brazil. Nevertheless, in this article I will argue that the prevailing narratives on the current crisis in Latin America's largest nation are due for a change. Ever since taking power in 2003, the Workers' Party – or PT – was faced with the challenge of balancing its mandate for social change and its desire to be seen as a moderate and market-friendly political alternative. I suggest that the ultimate breakdown of this balance in a conjuncture of increased social and political polarization is as much a result of the party's unwillingness to address any of the manifold structural injustices that characterize Brazil as of the antagonism generated by its policy of gradual social improvement. The 'Pink Tide' that swept over Latin America over the past decades is in a noticeable process of reversal. I would like to stress in this article that, in the case of the Workers' Party, too much moderation – *not* too much change too quickly – has been a key factor in the turning of the tide for progressive change in Brazilian shores.

### **A Descent into Chaos?**

One can certainly not blame those that, bewildered by the latest turmoil to hit the Brazilian democratic establishment, have described recent events with a mix of dismay and perplexity: a 'descent into chaos' as one observer termed it. The growing political polarization, both in the institutional arena and in society, has, in turn, been likened to a veritable 'theater of the absurd'. Brazil's image had, after all, gone through a marked improvement, coinciding with Luis Inácio 'Lula' da Silva's presidency (2003-2010) and the first term of Dilma Rousseff (2011-2014). Central to this image was a narrative of moderate social improvement that saw in the Workers' Party a successful combination of market-friendly policies with measures of poverty reduction commended by the World Bank. Mass demonstrations in June-July 2013 and during the FIFA-organized tournaments in the country were a sign all was not well, but were interpreted as signs of a maturing democracy the PT had helped to foster. Over the past year, however, protests with a conservative agenda and chauvinist undertones have gained the foreground in the context of a mounting economic crisis that has pushed the country's democratic institutions to the brink. As a result, the country's status as a model of moderate change has given way to an equally one-sided and insufficient narrative of chaos and disorder.

### **The Need for a New Narrative of the Years of Workers' Party Rule (2003-2016)?**

The underlying logic and key drivers behind the downfall of the Workers' Party through what was likely a parliamentary coup d'état are hard to recognize if one clings to the narrative of moderate, steady progress it was thought to embody. For starters, this narrative downplays how contested and contradictory the Brazilian incarnation of the 'Pink tide' was, and especially, how, the Workers' Party attempts to service both the interests of ruling classes and of the broad working masses alike established a much shakier ground for their political project than once thought. Secondly, while the crisis of the Workers' Party's might be inscribed in a broader context of region-wide decline of progressive governments, simply pointing to this overarching trend offers little clarity. For just as in the case of the recent right-wing turn in the region, 'the Pink Tide is not a monolithic phenomenon, but a contested space with a variety of projects influenced by the uniqueness of national contexts and relative positions in the global economy' (Chodor 2014: 121). The progressive governments that rose to power in Latin America starting with Hugo Chavez in Venezuela in 1998 differed significantly, with Brazil – alongside Chile's *Concertación* administrations (Taylor 2006) – as the most moderate variants, meaning that the break with neoliberal policies was timid at most and

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there was a large degree of continuity with previous administrations. The fact that it is precisely Brazil's center-left experience that has met with the most radical rupture (so far) is the greatest riddle of the Pink Tide's waning period, but also, perhaps, a key to understanding it.

### **The Workers' Party Policy of Compromise: Change One (Could) Believe in?**

The premise of the Worker's Party policy of compromise was averting such an ending at all costs. It aimed to do so by balancing the introduction of moderate change – with goals and pace determined from the top down – with the imperative of accommodating and often prioritizing the interests of banks, major corporations and large landowners. This two-pronged strategy equally meant wagering that the cumulative impact of its 'weak reformism' would spare the party from introducing more aggressive reforms. This paved the way to power for the PT as Lula's first three years in office (2003-2005) saw the scales of the strategy strongly tipped towards reassuring the markets and refuting permanent media scrutiny. The newly-elected administration not only maintained their center-right predecessor's economic policy, the clearest evidence of which was an aggressive primary fiscal surplus of around 3.0% of GDP – only missed under Lula in 2008 -, it introduced a reform of public sector pensions (Coggiola 2004) and practically froze land-redistribution policies (Umbelino 2015). By 2005, as these strict measures were in and of themselves undermining popular support, the uncovering of a major corruption scandal offered an opening to opposition coming from another camp entirely, i.e., those segments of the right-wing – with a strong voice in the media and a sizeable base in Brazil's conservative middle strata – that simply refused to accept the Workers' Party in government, regardless of its moderation and pro-business measures. These efforts were no doubt functional for powerful economic sectors, as this only reinforced the need for the Workers' Party to secure their support, but the ultimate goal of this right-wing block went beyond domesticating the party, since it also aimed at eroding its democratic legitimacy. With Lula's reelection in 2006 at risk, the party introduces key shifts to its economic policy – its so-called 'neo-developmental' turn -, ironically made possible by personnel changes resulting from the very corruption charges meant to erode the PT's support. The 'commodity boom' was the final element that allowed the policy of compromise to be set on a new basis: capital would be rewarded through an expansion in the consumption of goods and services (including private health and education) irrigated by a vast increase in credit and rises in the minimum wage; under these circumstances, the long sought after balance between pro-business measures and those needed to assure the PT's democratic mandate seemed permanently secured as Lula left office in 2010.

### **The Breakdown of the Policy of Compromise**

If observed through the prism of the two-pronged strategy of compromise described above Dilma Rousseff's election and turbulent first term in office (2011-2014) reveal just how fragile the balance achieved in Lula's second term was.

The choice of Dilma as a candidate reflected expectations that the 'managerial' image she acquired as a long-serving technocrat would help garner support in the middle-strata and especially from the markets as she announced her aims of curbing inflation and reverting some of the stimulus measures taken at the height of the crisis (interest rates climbed steadily in her first year in office). As the external economic climate unexpectedly worsened in 2011-12 with the mounting crisis in Europe, fears from the government that growth would stall led to renewed stimulus policies and state subventions to credit and investment following the blueprint of the response to the 2008 crisis.

This time, however, Brazilian workers felt they deserved a larger share of the benefits of growth and, in 2012, went on the highest number of strikes in 15 years (source: DIEESE). Not only was the slow pace of improvement to wages no longer acceptable in light of rising living costs and exploitative working conditions, development policies were producing a range of nasty side-effects, such as environmental damage, displacement of native peoples and chaotic conditions in the country's large cities. Despite this noticeable growth in social unrest, the government opted rather to quell the growing wave of criticism to its economic policies by foreign observers through, among other measures, the effective reintroduction of privatizations. Rises in the minimum wage and a massive expansion in household debt, in turn, were meant to raise support for a government that increasingly saw its task as providing citizens more possibilities of consumption in the expectation that new cars and homes – as well as access to health and education through private providers – would lead them to overlook declining public services and infrastructure. Authorities did not imagine that the situation of Brazil's cities, compounded by the hosting of mega-events like the World Cup and

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epitomized by the calamitous state of public transportation, would lead in 2013 to the largest demonstrations in a generation (which I address in another article). I would argue that these demonstrations – along with the tremendous upsurge in social struggle that followed them and has not abated since – presented a chance for the Workers' Party to build a new basis for its rule and renew its democratic legitimacy by hearing the calls not only for better public services, but for more rights for women, LGBTs and young black people in Brazil's peripheries. That would have meant a break with the PT's policy of compromise, as there was no way to move in this direction without tackling, for instance, urban reform, the country's regressive tax system and one of the highest interest rate regimes in the world. The PT's reaction would be the exact opposite: reinforcing the 'trust of markets' while all but abandoning its search for greater democratic legitimacy just as it had been radically called into question by the streets.

### **From the 2014 Elections to the Parliamentary Coup**

Hurt by a fall in approval ratings ever since the tepid reaction to the 2013-14 demonstrations, Dilma Rousseff's camp conducted a clearly left-tinged reelection campaign in 2014 centered on warning of the dangers of regression to 1990s style neoliberalism if the center-right PSDB were to take power (Amaral & Ribeiro 2015). On the side and most notably in Dilma Rousseff's address to the World Economic Forum in January 2014, a clear message was given that reelection would mean austerity and further neoliberal reversal to economic policy (through more privatizations and less intervention by public banks). On the most polarized elections since the reestablishment of democracy (Couto 2014) Dilma won the runoff vote by a slim, but nevertheless clear margin (51,6% to 48,4%). As soon as her second term started, however, it was clear that the pledges made in Davos a year before were a much more faithful rendition of her intentions than her electoral campaign. The austerity put in place in 2015 – leading to a 4,05% drop in GDP and growing unemployment – brought a final collapse in popular support. This was the predictable result of a shift in economic policy synonymous with abandoning the goal of regaining democratic legitimacy. The government likely wagered that earning the favour of large corporations, banks and foreign investors was the most effective way of neutralizing calls for Dilma's ouster from a surging right-wing bloc, which – feeding on the climate of polarization of previous years and boosted by the Petrobras corruption scandal – managed to mobilized a mass base for her impeachment, aided by broad and highly favourable media coverage throughout 2015 and early 2016.

Though claims that wide majorities wanted Rousseff out were likely exaggerated, it is hard to deny that many of Dilma's 2014 voters were now unwilling to show any degree of support in light of the growing disappointment, culminating in 2015. These reservations were only confirmed by the surprising lack of fight from an increasingly disoriented Workers' Party administration that even in its death throes refused to change course and make the changes necessary to reestablish its popular support.

At some point between late-2015 and early-2016, the paralysis resulting from self-inflicted austerity measures compounded by the radicalized brinkmanship tactics of the government's most radical antagonists would finally lead to the swinging of the commanding heights of the private sector to the impeachment camp. Having given up on recovering support from below, the fate of the Rousseff administration was sealed when it could no longer guarantee either stability or a fresh round of austerity its supporters from above required. A conservative and opportunistic legislature promptly found a pretext and suspended Dilma Rousseff from office in April-May 2016.

### **After the Coup**

In her second term, Dilma Rousseff attempted to gain the 'confidence of markets' to an extent where she could dispense with democratic legitimacy and ignore the mandate for social change that had always been associated with Workers' Party rule. While this proved disastrous for her presidency it seems to be within reach of new 'interim' president Michel Temer. His strategy to gain support has so far ignored Brazil's broad masses, focusing instead on a policy of structural adjustment and privatizations coupled with concessions to corporatist interests from the judiciary and legislative branches. Despite successive mishaps and evidence of direct involvement with corruption for many of those in his cabinet – including Temer himself – consistently positive media coverage has given the government a vote of confidence the Workers' Party never enjoyed. The 'interim' administration has nevertheless learned a thing or two from the mistakes of the party it ousted from government.

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Shortly after the new administration was installed, the then Budget and Planning Minister – who would last only 10 days on the job – announced that one of the first measures of the new administration would be to revise the 'fiscal target' from a R\$24 billion surplus (around US\$7.4 billion) to a R\$170,5 billion deficit (about US\$ 52 billion). That same surplus was formerly held to be sacrosanct and infringing it was one of the reasons Dilma was ousted from office. The new minister claimed, however, that the previous target would have paralyzed the government 'within one month' and was simply 'not realistic'. A conscious choice was therefore made to avoid savage austerity in the first two years of the new administration, with the convenient advantage of producing debt which is already being used as an argument for future reforms and, yes, austerity. There is talk of a twenty year cap on public spending – excluding debt servicing, of course – that will freeze expenditures regardless of circumstance or increasing revenues. The man behind these measures is the new finance minister, Henrique Meirelles, a former banker who was the head of Brazil's Central Bank during Lula's two terms in office and whose credibility he draws, ironically enough, from the prosperity associated with the period. He is the clearest symbol that the 'market confidence' pole of the PT's policy of compromise has detached itself from its opposite, democratic legitimacy, ultimately undermining it completely.

The question, more a matter of when than if, is the following: will Brazilian working masses and its youth, who have experienced in the last few years a cycle of mobilization that is unparalleled since re-democratization in the late 1980s, step in and prevent a complete hollowing out of democracy?

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