

LULA IN THE LABYRINTH

THE RE-ELECTION OF Luiz Inácio da Silva in October 2006 allows us to decipher the ways in which Brazil's political landscape has been reconstituted under the Workers Party government. The whirlwind of deregulation, privatization and restructuring under Fernando Henrique Cardoso in the 1990s—and with it, the dissolution of the industrial working class created during the developmentalist era—had torn up all established relations between economy and politics, classes and representation. The result was a period of indeterminacy, the context of Lula's first presidential victory in 2002. Since then, a novel combination of neo-populism and party statification, shored up by social-liberal handouts, on the one hand, and government graft, on the other, has helped to forge a new form of class rule in Brazil that could be characterized as 'hegemony in reverse'.

In what follows I will trace the ways in which the outcomes of the 'era of indeterminacy' were overdetermined by intensive exposure to the relations of global capital. But first, a brief comment on the 2006 election itself. Although voting is compulsory in Brazil, 23 per cent of the electorate stayed away from the ballot box altogether, while another 8 per cent cast either null or blank votes. This means that 31 per cent of voters were either not interested, or could not bring themselves to vote for any candidate. It is the highest measure of electoral indifference in modern Brazilian history. The reality of this disengagement was all too apparent in the street: there was no excitement, not a single PT banner or that of any other party, no mobilization whatsoever. The majority of voters acquitted themselves of their civic duty that Sunday with some impatience, and many went straight to the beach.

The results of the first-round presidential vote on October 1st had given Lula a scare. Despite the corruption scandals that had dogged his

government over the past two years he was expecting to win an outright majority, and his campaign was correspondingly complacent, if not—in his refusal to debate with the other candidates—wilfully arrogant. Lula got only 48.6 per cent, with Geraldo Alckmin, his rival from the centre-right PSDB, taking 41.6 per cent, while Heloisa Helena of the Left Front, a coalition of the ex-PT left breakaway PSOL with the PSTU, PCB and Consulta Popular, won just under 7 per cent, around 6.5 million votes. In the first round the President had deliberately distanced himself from the Workers Party. Now, seeing his chances of re-election threatened, a visibly shaken Lula and his advisors appealed to the PT and to sectors of the left outside it. The Lula campaign charged that Alckmin would forge ahead with the privatization programme so bitterly resented under the previous PSDB president, Fernando Henrique Cardoso.

There is general agreement that Alckmin was the perfect opponent for Lula: little known outside São Paulo, and with the look—a mean, sour-faced oligarch—and reputation of a *paulista*, which is a serious handicap in Brazil. He had no message whatsoever and was terrible on television. More difficult to explain is why the *tucano* Alckmin got so many ballots in the first round and why, unprecedentedly, his vote actually fell by over 2 million to 39 per cent in the second-round run-off on October 29th.¹ Mainstream explanations of Lula's 61 per cent second-round score have focused on the influence of the Bolsa Família, the means-tested welfare payment begun under Cardoso but extended by the PT. In the impoverished Northeast, the region which receives the greatest proportion of Bolsa Família payments, Lula got over 70 per cent of the vote. In his first interview after the final results were announced, the re-elected president complained bitterly of not being the choice of the rich, pointing out that bankers have never earned so much money as under his government, and going on to describe the election as a triumph of the poor and those 'from below'. This was the interpretation generally taken up by the foreign press: the country had split between rich and poor, and the poor won. This fails to explain the vote for Alckmin in the first round; it would be a boon indeed if over 40 per cent of the electorate really qualified as rich, and Brazil had been transformed into a First World country.

In the state governorship elections also held on October 1st there was good news from Maranhão and Bahia, where once-invincible caciques saw

¹ The PSDB's logo is the toucan, a bird renowned for its capacious beak and inelegant flying style.

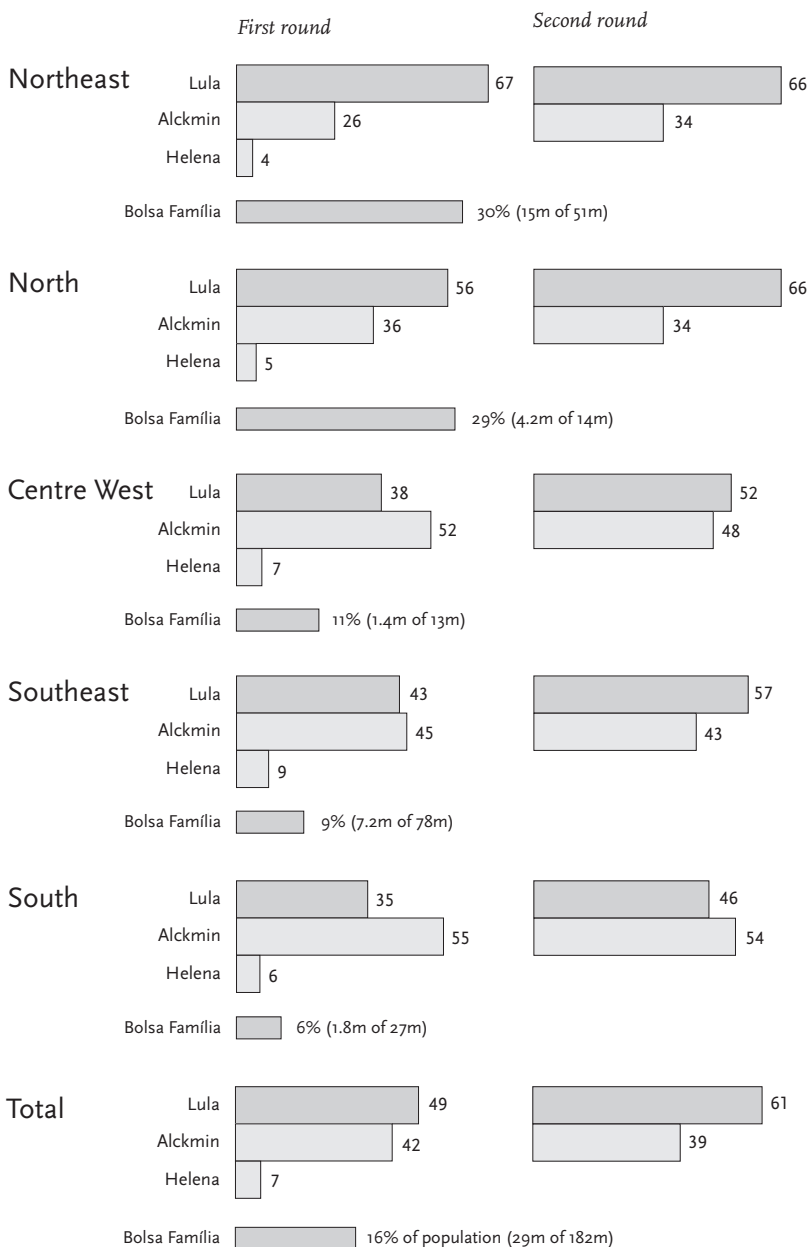
their candidates turn to dust. The PT currently holds four governorships, although Bahia is the only politically important state in that constellation. In general, though, the contests were characterized by a promiscuous medley of alliances and coalitions, with politicians of supposedly opposite ideological orientation banding together, and open betrayal of party initials the general rule. The governor of Mato Grosso, a member of the Partido Popular Socialista, which is the heir to the old Partido Comunista Brasileiro, and who also happens to be the world's largest soya cultivator, openly supported Lula; while the PPS, currently agonizing because it did not pass the 5 per cent barrier, supported Alckmin.² This looks like a reversion to the traditional pattern of politics in Brazil, and on the periphery more generally, in which parties represent little and power centres above all on personalities. During the late 1970s and 1980s, the political 'age of invention' in Brazil, the creation of the PT had established the value and effectiveness of the mass party within the national forcefield; that period now seems to be ending.

The congressional results of October 1st also belied the second-round presidential landslide. In the Senate the right-wing PFL, noisily defeated in Bahia and Maranhão, remains the largest faction. In the Chamber of Deputies, the PMDB has the greatest number of seats. Formerly the umbrella party of opposition to the 1964–84 military dictatorship, the PMDB is now a classic party of regional caciques, lacking even the most minimal programmatic unity; emblematically, it did not have a candidate for president, not even in alliance with the PT or PSDB. The PT is still the second largest faction in the Chamber, but for the first time saw its number of deputies reduced. Lula has patched together an agreement with the PMDB, which will give him a substantial majority in the Congress. But the government will be weaker than in the first term and the cost of support higher, in the form of nominations to ministerial posts and the important federal bodies. The agenda of corruption allegations is not closed, although the government may be more careful now.

For a few weeks in October it appeared that the space for the left had grown—even this writer voted for Lula in the second round, with that hope in mind—given Helena's vote and Lula's left tack. That illusion was soon destroyed. The few who voiced hopes of a change in economic policy—including Tarso Genro, a party ideologue and Minister of

² To enter the Federal Chamber of Deputies a party needs to get over 5 per cent of votes in at least ten of Brazil's twenty-seven states.

FIGURE I: 2006 Election results by region; % recipients of Bolsa Família



Source: *Financial Times*, 7–8 October 2006 and Brazilian government figures.



Institutional Relations, and Dilma Rousseff, Lula's powerful Chief of Staff—were immediately scolded by none other than the re-elected President himself. Lula's first statements were to reaffirm his economic agenda, retaining Henrique Meirelles at the Central Bank and defending the record of his disgraced—but now rehabilitated—former Finance Minister Antonio Palocci. Among the possible names he put forward for the cabinet was Jorge Gerdau Johannpeter, owner of the largest metallurgical complex in the country and known as one of the most reactionary types in business circles. There is now a general scepticism with regard to the second term; no one is expecting significant changes in government policy. Lula seems to have entirely lost his way. There will be an extension of the Bolsa Família programme, perhaps the shifting of the course of the São Fernando River to benefit the Northeastern states most subject to drought and the undertaking of some infrastructural works. But it will go no further than that.

Age of indeterminacy

In an earlier essay, I characterized the social formation emerging from the mutations of an industrialized, semi-peripheral economy, under the pressures of capitalist globalization, privatization and the Third (molecular–digital) Industrial Revolution, as a duck-billed platypus: part mammal, part bird.³ The creature combines external dependency with casualized labour, truncated accumulation with an unremittingly inegalitarian social order; despite thirty years of democratization, its level of consciousness remains doubtful. Among its most conspicuous features is a new social class, defined by its access to and control over public funds. One wing of this class consists of an upper strata of workers' leaders, who rose through the autonomous labour movement of the 1970s and 80s. Though that movement was all but eviscerated by the 90s restructuring, the layer of its leadership appointed as 'workers' representatives' to the boards of pension funds had, by dint of their positions, become major players in Brazilian finance; their task now being to press for redundancies, sell-offs and shut-downs, in pursuit of high returns on their investments. Today, the principal institutional investors are the Previ, Eletros, Sistel, Petros, Portus and Funcef funds, and others whose names indicate the firm or sector from which they originated; they carry great weight on the stock exchange, and have played a decisive role in

³ See 'The Duck-billed Platypus', NLR 24, Nov–Dec 2004; see also 'O Momento Lênin', *Novos Estudos CEBRAP* 75, July 2006.

defining the parameters of state privatizations. Well before 2002, this fund-management stratum had crystallized within the core leadership of the Workers Party.

The skimming-off of the labour leadership was accompanied by the severe erosion of its base. Between 1989 and 1999, losses of salaried posts reached 3.2 million, of which 2 million were in the industrial sector. Numbers of unemployed leapt from 1.8 million to 7.6 million, and the unemployment rate from 3 to 9.6 per cent of the economically active population. Meanwhile, four out of five jobs created during the 1990s were in what is anachronistically called the 'informal sector', extremely precarious and poorly remunerated.⁴ The restructured production processes gave rise to a new form of subjectivity, corroding the prospect of class solidarity and collective self-identification once held out by a precarious peripheral Fordism, and inculcating instead values of individual competition.⁵ These atomized labour processes create a new universe in which the unions do not yet know how to operate. In addition, some 40 per cent of workers are in informal employment, lacking the least toehold of regulation, while at least 10 per cent are openly unemployed—the rate for urban workers, calculated by the trade union research body, is at least double that.⁶ What social class could withstand such a hurricane?

The principal paradox of Lula's presidency is that it has signalled the most far-reaching disorganization of his class: the main feature of the era of indeterminacy. The 2002 election campaign took an erratic, even aleatory course, in which the uncertain nature of the political conjuncture was manifest; candidates' support surged or switched almost at random. None of the establishment politicians seemed capable of finding a grammar or discursive code that could decipher the situation, or translate it into known terms of interest or ideology. In this context, it was seen as a masterstroke when Lula's marketing man, Duda Mendonça, rather than search for a 'quality' in his candidate as the others were doing, stressed instead what was non-specific about Lula. The slogan 'Lulinha, Peace and

⁴ See Marcio Pochmann, *A década dos mitos. O novo modelo econômico e a crise do trabalho no Brasil*, São Paulo 2001.

⁵ See Cibele Rizek and Leonardo Mello e Silva, *Relatório do sub-projeto 'Trabalho e qualificação no complexo químico paulista'*, mimeo; Leonardo Mello e Silva, *Trabalho em grupo e sociabilidade privada*, São Paulo 2004; Milena Bendazzoli, 'O consenso dos inocentes', University of São Paulo MA dissertation 2003.

⁶ The DIEESE figures include not only official but hidden unemployment, and the so-called 'despendency rate', those who have given up looking for work.

Love' was a deliberate anti-discourse, albeit wrapped initially in a certain national-productivist tone, the only remnant of Lula's former career. With José Alencar as running mate—a successful businessman and, like Lula, from a poor background—the de-PTified campaign brought together a migrant from the Northeast and a hayseed from Minas Gerais, packaged in an aura of ineffable benevolence; the 'Garanhuns Road', a miracle mission to save a country without hope.⁷ Arguably even the corporate media, key actors in the era of indeterminacy, still believed at the start of the campaign that former cleavages of class politics and ideology held good. It was only when they learnt from the voter-intention polls quite how electorally unpalatable the other candidates were that they made their deals with Lula. The mass-media conglomerate Globo, in particular, with its sizeable external debt, changed its position; the day after the election it would broadcast a disneyfied account of the poor boy's road to the presidential palace.

Famously, the watershed for the PT came in the São Paulo Novotel, on the banks of the polluted river Tietê, where the 'Letter to the Brazilian People'—or the July Capitulations—was read to the press. Its vow to respect—indeed, to surpass—all the Cardoso government's commitments signalled to the business class and global financial institutions the party's obeisance to Rome. The message was confirmed by the appointment as Finance Minister of Antonio Palocci, a *petista* convert to neoliberalism from his days as State Prefect of Ribeirão Preto; and of Henrique Meirelles, an ex-president of Boston Bank who had run on the PSDB slate, as President of the Central Bank.⁸ In addition to Palocci, the core leadership comprised José Dirceu, former party president and the real mentor of the PT's programmatic turn; Luiz Gushiken, appointed Communications Minister; and José Genoíno, the PT president, now competing—with the advantages of the ex-guerrilla's rhetoric and aura—with the right wing of the Brazilian right. For the most part, the other ministries were of nil importance. PT coalition partners indicated the jobs they wanted, and other posts were given as consolation prizes to old friends who had done badly in elections to the main state governorships. Notorious businessmen—in their capacity as 'representatives of civil society'—were awarded ministries appropriate to their areas of interest and export ranking. The absence of any heavy-weight intellectuals

⁷ Garanhuns: Lula's home town in the northeastern state of Pernambuco.

⁸ In August 2004, Lula conferred ministerial status upon Meirelles, who henceforth can only be tried by the Supreme Federal Tribunal, even after leaving office.

in Lula's cabinet—in stark contrast to Cardoso's, and despite the rich tradition of Brazil's left intelligentsia—reveals the undisguised monopolization of strategy by the party's *nomenklatura*.

Perhaps only Lula and his marketing men saw that he would be able to change tack as he did, precisely because the veto power of his old workers' base had been reduced to almost nothing. Yet the shift was only made possible by the charisma, personified by Lula but in fact extending far beyond to the Workers Party which had played such a critical role in opposition to the military dictatorship in the late 70s and early 80s, and had been a principal reference for the wider movement struggling for the reinvention of Brazilian politics through to 1984. However, with the PT's arrival in government Lula's charisma acted as a powerful anaesthetic, bringing about the immediate paralysis of virtually all the social movements that had arisen under Cardoso, with the Sem Terra landless farmers among the few to survive. Lula also moved swiftly to replace the leadership of the CUT, the once-powerful trade-union federation whose initial leaders had been founder members of the PT. João Felício, head of the schoolteachers' union, one of the largest in the CUT and adamantly opposed to public-sector pension reform, was 'invited' to resign as CUT president, and Lula nominated former metalworkers' leader Luiz Marinho in his place—greatly weakened by restructuring, the Metalworkers Union now had little real industrial weight. Two former bank workers, Gushiken and Ricardo Berzoini, also held powerful Cabinet posts, the latter responsible for the pension reform; but in their capacity as members of the 'new class', not as ex-clerks. The irony is that the CUT, created to counter stooge-unionism under the dictatorship, has been transformed under the Lula government into a transmission belt for neoliberal policies.

Price of financialization

Lula's reconstruction of the system of power, after the dizzying decomposition that had led to his own election, has been geared around a further, externally oriented shift towards financialization and export-led growth, with new relations of domination powerfully over-determined by globalized capital. Exports have been led by the expanding agribusiness sector. With few exceptions, the other export fronts are in low value-added commodities, with little capacity for establishing strong, inter-industrial relations or self-sustaining growth processes on a national scale. These

sectors have limited means for binding together broad social interests and generally tend towards a strong concentration of wealth, as exemplified by agribusiness, founded on an expropriated workforce.⁹

In Brazil's semi-peripheral economy, capitalization was always closely tied to the state. Financialization, in its latest form, has also been dependent on state-linked capital, via the pension funds of public-sector enterprises; these were developed as a type of private welfare insurance by the military dictatorship, on the model of the Banco do Brasil's Previ scheme. The 1988 Constitution capped this with establishment of the Workers' Assistance Fund (FAT), now the principal contributor to the National Bank for Economic and Social Development (BNDES). There is currently an attempt to attract further foreign investment with new domestic financial instruments, via the pension funds and a banking system that largely depends on transactions involving government bonds. Ultimately, such dependence on external capital flows can only deepen the crisis of peripheral neoliberalism. As Cardoso himself, on whose watch the national debt multiplied tenfold, has put it, 'It is not the government that controls the debt, but the debt that controls the government'.¹⁰ The policy of external financing leads to an exponential increase in the debt burden, hamstringing the accumulation of capital. It also functions as a powerful mechanism for the concentration of income in the financial system. Banks' profits have risen to staggering new heights under the Workers Party government.

The Lula government's principal legislation has been directly concerned with accelerating financialization in Brazil. The pension reforms of 2004, won at the cost of expelling Heloisa Helena and others from the party, was the first victory for the new investment-fund class under the PT, marking a major shift from defined benefits to defined contributions.¹¹ The sky-high interest rates, as we have seen, have sent bank profits to record highs. Yet finance has not proved capable of propelling a broader front of capital accumulation, welding together the greater part

⁹ As an important exporter, Petrobras is a partial exception to this rule, though its strong links with national industry are due to the state character of the firm.

¹⁰ See *Primeira Leitura*, no. 29, July 2004, pp. 20–37. Brazil's deficit was just over R\$60bn in 1994, when Cardoso was elected; by his departure in 2002 it had leapt to R\$623bn.

¹¹ See Leda Paulani, 'Sem esperança de ser país: o governo Lula, 18 meses depois', in João Sicsú, Luiz Fernando de Paula, Renaut Michel, eds, *Novo desenvolvimento. Um projeto nacional de crescimento com equidade social*, São Paulo 2004.

of national bourgeois interests. Ultimately, financial profits such as interest payments are to the detriment of profitability in the goods-producing sector. They are a transfer of income to the financial system from sectors of the business elite itself; by raising firms' costs they impose a penalty on real salaries, which generally leads either to a scaling down of activities or an increase in the rate of exploitation of the workforce.

Lula's social-liberal welfarist policies, again a continuation of Cardoso's, are the counterpart to this continuing liquidation of the manufacturing sector and the industrial working class, unfolding under the PT's watch. Beginning with *Fome Zero*—Zero Hunger—these multiplied under a variety of names before becoming incorporated into the catch-all Bolsa Família. Over 11 million families now receive hand-outs from the Bolsa, the maximum being R\$95 (around \$40) per household per month. Proportionally withdrawn if paid work is found, the Bolsa closes the vicious circle of poverty, shutting off the possibility of a national-development policy that would incorporate all Brazilians. In reality, it is a policy for functionalizing poverty—with an additional electoral effect. To remain registered for the Bolsa Família or other state benefits, it is necessary to comply with the legal requirement to vote. As universally noted, Lula's support in 2006 benefited from the *bolsões*.

Monthlies and other payoffs

That the Lula government should continue and deepen the Cardoso policies of neoliberal financialization comes as scant surprise. Far more shattering has been the loss of the ethical patrimony of the PT, as it has emerged as the central player in the series of corruption scandals that have shaken Brazilian politics over the last two years. That they should have had so little effect on the economy says much for the irrelevance of politics. From 2005, most of Lula's original 'core leadership' has been implicated. José Dirceu, PT treasurer Delúbio Soares and José Genoíno had to resign after PTB deputy Roberto Jefferson revealed in June 2005 that PT officials had been bribing congressmen R\$30,000 (\$12,675) a month to vote with the government—and after an aide to Genoíno's brother was caught with \$100,000 in cash in his underwear and R\$200,000 (\$85,000) in a suitcase. In July 2005, Gushiken was stripped of ministerial status for awarding lucrative state contracts to his former associates. In August 2005, Antonio Palocci was accused of extracting R\$50,000 a month from garbage-collection firms when Prefect

of Ribeirão Preto; he resigned in March 2006, after trying to smear a witness who described him at a lakeside mansion in Brasília where suitcases full of cash changed hands. In early September 2006, PT party workers were caught trying to procure, with R\$1.7m (\$800,000) in cash, a dossier against José Serra, PSDB candidate for governor of São Paulo.

The President's best-of-all-possible-worlds response was to assert that 'they all do it', and anyway, nothing has been proved. We now know that Lula's Panglossianism is only skin-deep and that this is a politician who, since his trade-union days, has been well accustomed to the worst practices of 'traditional' Brazilian political culture. The country's vertiginous social inequality has ensured that such patrimonialism is only updated, not uprooted, by the modernization of social relations. How did the PT—created to reshape the Brazilian party-political system—come to be an architect of such gangsterized, anti-republican corruption? Without claiming to have anticipated the scandals of 2005 and 2006, the duck-billed platypus model goes a long way towards explaining these events.

The brazen corruption of the PT is not so surprising in the context of the control of important pension funds by party and trade union leaders. The sheer weight of these funds within the Brazilian financial system had already opened the way to the mobster-style struggle between economic groups battling for their 'favours'. During the 1990s Previ, the Banco do Brasil pension fund, worked hand-in-glove with the consortium that eventually won the tender for the privatization of the Vale do Rio Doce mining company. These promiscuous contacts between public and private sector have flourished under Lula; government functions involve daily concourse with the business world and exposure to all manner of corruption.¹² The 'new class' running the giant state firms was soon rubbing shoulders with the core of the globalized grande bourgeoisie: BNDES is the largest development bank in the world; Petrobras is the largest oil company in Latin America; Banco do Brasil is bigger than any of those in the private sector.

¹² In July 2004, newspapers reported that the Kroll company was engaged in espionage on behalf of shareholders of Brasil Telecom in association with Daniel Dantas's asset-management group, Opportunity. The imbroglio revealed the role of the 'new class' in the Brazilian financial system. Minister Gushiken justified his interference in the affair, along with the pension funds, by saying that they had an obligation to defend the interests of their shareholders. The minister did not refer to workers. *Folha de São Paulo*, 22 to 25 July 2004.

This was not, then, a bolt from a clear blue sky, although the depth of the ethical swamp into which the PT has sunk could not have been predicted. Its foundations had been laid by a series of small scandals in prefectures, by the transformation of cadres into pension-fund directors, and by the intensive bureaucratization of the party. To paraphrase Gibbon: if the decline of the PT was a long process, its fall was a sudden movement, consummated with the party's arrival in power. The fountain pen that nominates 20,000 functionaries—by contrast, the President of France appoints only 300—is a major factor in corruption, transforming militants into officials. The party becomes the government's transmission belt, and 'all that is solid melts into jobs for the boys'.¹³ The great majority of these posts and functions come with salaries several times higher than the Brazilian average, and the 'Maharajahs' of the large state firms draw salaries well over 30 times the minimum wage. Rather than the seizure of the state apparatus by the party, what took place was the seizure of the party by the state.

Conditions for hegemony

The result is an indefinite prolongation of the Brazilian 'passive way', with the possibilities for social transformation once more endlessly deferred. Paradoxically, it was during the 'age of invention' that the PT and the social movements linked to it came closest to providing a potentially hegemonic moral direction, in the Gramscian sense. Its watchwords expanded from the generalization of social conflicts to the demand for civil rights, extending the notion of citizenship; from condemnation of patrimonialism to popular control over public spending and oversight of the affairs of state. In sum, a republican renewal without parallel in the history of Brazil. Even a government as neoliberal as that of Cardoso had to make some allowance for these demands.

Is such a hegemonic national project still thinkable in the conditions of inequality that exist today? In 2003–04 the number of millionaires grew by 6 per cent, while the economy shrank by 0.3 per cent. Any common experience of public space is rendered illusory by the almost immeasurable gulf between classes. On the one hand, the world of elite schools and brand-name hospitals; over 200 helipads, necessitating air-traffic

¹³ See my 'Tudo que é sólido se desmancha em cargos', *Folha de São Paulo*, 14 December 2003.

control for helicopters in São Paulo; and private police whose ranks exceed those of the state forces. On the other, the remorseless scramble for existence in the *favelas* of the great cities or the impoverished countryside of the Northeast. Over the past years the possibility of material equality has grown so distant that it can scarcely be configured within the symbolic order. The response from below has been the exponential growth of private violence; what is denied by the impossibility of equality is sought instead through crime.¹⁴

In the context of Brazil's dizzying inequality, subjected to the constant bombardment of neoliberal privatization, deregulation and attacks on rights, competition has produced not a democratizing individualism but an intensification of barbarism, now escalating into political criminality. Incidents that have not been fully clarified up until now, such as the murder of Celso Daniel, Mayor of Santo André, and Antônio da Costa Santos, Mayor of Campinas, leave hanging in the air suspicions that militants—or even leaders—of the PT were involved in these outrages, which the PT immediately and definitively classed as 'common crimes'. The families of the victims always maintained that these were political killings, and the Public Ministry is conducting investigations along the same lines. A form of party gangsterism, long known in other Latin American countries, is becoming endemic to the Brazilian scene.

A clear-eyed assessment is needed of the new formations emerging from the neoliberal capsize of existing class relations. With the decomposition of organized working-class politics has come the increasing preponderance of bourgeois forces and the growth of the 'new class' of investment-fund directors within them. Yet this layer is unable to offer a coherent solution to the problems that the neoliberal model has encountered on the

¹⁴ In 2006 São Paulo, the largest city in the country, was paralysed by order of the Primeiro Comando da Capital, a criminal organization strongly rooted in the prisons, whose resurgence resulted in 150 deaths. The state's response has been with programmes typical of poverty's vicious circle, principally the Bolsa Família. The sociological basis for this is the argument that the PCC, and criminality more generally, are the products of poverty and *favela*-ization. Rather, it is the *favelas* themselves that are illegal in a democracy—not juridically so, of course, but in the sense that such poverty levels are an assault on the citizenship of the poor. The PCCs and their ilk thrive in this illegality, turning it to their advantage and wielding its terror against the poor: employing children as *aviadores* (dealers) or *olheiros* (informers), and imposing their *omertá* on *favela* residents.

periphery, one which could unify a broader coalition of capitalist forces beyond those sectors profiting from the orientation towards exports and financialization. In the absence of such a solution, and lacking any pressure from below, the PT has responded not with a counter-hegemonic challenge but with a combination of a neo-populist programme and the thorough-going statification of its own cadre, while the occupation of government posts has opened up direct access to public funds.

Petismo-lulismo

The neo-populism is apparent in the presidential style that Lula has developed, a short-circuiting of the political process that bypasses even his own party. The President throws himself into fresh activities every day, constantly announcing new programmes and social projects that are little more than virtual, but which serve to show that something is being done, to simulate political leadership. The media provide crucial assistance with this, since they give the President fresh exposure every day, even several times a day—while at the same time, through their fleeting character, making it impossible to pin him down, so that his next appearance seems a novelty. In some respects, *petismo-lulismo* represents a far purer populism—the impossibility of a politics based on organized class—than the classic cases of Vargas, Perón and Cárdenas. These were, in various ways, authoritarian forms for the inclusion of the working class in politics, disrupting the schema of traditional Latin American under-development; their material base lay precisely in the growth of salaried and, in particular, of manufacturing workers. Today's neo-populism represents not the authoritarian inclusion but the democratic exclusion of those classes from politics.

This is not an exclusively Brazilian development, nor is its origin ideological; the same phenomenon is visibly occurring in Argentina and Venezuela. It is a function of the decomposition of the working class, above all of its industrial core. Kirchner was elected without the support of the traditional Peronist workers' base, after the devastating de-industrialization under Martínez de Hoz followed by the internalization of globalization by Menem. After the financial crash of 2001, the central actor in Argentine politics was now the diffuse mass of the unemployed and the *piqueteros*. In Venezuela, the highly organized petroleum workers, numerically very small, are allied to the big capital that gravitates around the oil industry. Chávez has resorted to *bolivarianismo*

to cement what is no longer a social class.¹⁵ In both cases, the system had undergone a political and, above all, an economic crisis far more catastrophic than that in Brazil, where what has taken place has essentially been a shift in the balance of power within the business elite rather than a breakdown. Nevertheless, it could be said that Chávez and Kirchner are, in their own ways, trying to use the indeterminacy caused by economic crisis and political meltdown to ford the Rubicon; the opposite of what Lula has done.

The outcome of the PT's capitulation has had reverberations far beyond Brazil. A democratic-republican project with a socialist slant undertaken by the Lula government would have marked a decisive turning-point for Latin America, offering the possibility of exit from the neoliberal morass and from the continent's subordinate position within the globalized capitalist order. Not only has the Lula government surrendered to the Rome of the dollar; in the worst traditions of Brazilian patrimonialism, the PT has packed every level of the state machinery with its cadres, including the management of state and para-state enterprises, such as pension funds; virtually the only exceptions have been the key posts at the Central Bank and the Banco do Brasil. Nevertheless, if the appearance is that of a total occupation of the state by the party, on closer inspection one sees that the opposite is taking place: the party is being dissolved into the state, in the sense that the tasks, obligations and rationale of the state have imposed themselves on the functions of the party. To some extent, this is an inevitable product of the fact that the party, which grew by challenging the ruling order, has in government taken on the preservation of order as its first task. What follows is the substitution of administration for politics, creating a context that rules out any possibility of the latter—that is, any possibility of dissent, selection, choice, within a given set of determinations. The outright purchase of legislators is the logical corollary.

But the statification of the PT has a wider significance, beyond signalling the failure of its hegemonic project. The statified party is the dominant political form on the capitalist periphery; they are all parties of state. The decline of the PSDB outside government demonstrates the same process. The opposition it has tried to lead has been anaemic, lacking either

¹⁵ Chávez has reportedly declared: 'I don't believe in the postulates of Marxist revolution. I don't accept that we're living in a period of proletarian revolutions. Reality tells us this every day.' What he is saying is that there is no working class in Venezuela that could be the agent of revolution in the classical Marxist sense. Tariq Ali, 'Chávez dá esperança aos pobres', *Folha de São Paulo*, 18 August 2004.

popular weight or the backing of the business elite. The choice of such a hopeless presidential candidate as Geraldo Alckmin in 2006 was symptomatic of its crisis. Despite its intense efforts to announce itself as the party of the new globalized bourgeoisie, in practice the PSDB effectively tail-ends the government.

Victory in these conditions completely nullifies the left in Brazil. All criticism of Lula's record is immediately identified as coming from the 'right', scarcely an adequate defence for a government dependent on the support of conservative and neo-conservative elements from the PMDB and Partido Popular, such as the deputy Jader Barbalho and the senator José Sarney. Yet, while Globo TV has been relatively kind to Lula, the major newspapers, the *Folha de São Paulo* and the *Estado de São Paulo*, have pursued the PT government with a ferocity that only contributes to the confusion between criticism from the left and the reactions of the *paulista* media establishment. A thoughtless rancour further complicates relations between the independent left and the PT.

Elite consent

Class bases in decomposition, neo-populism emerging through that very dissolution, a bourgeoisie that cannot be unified through the dominance of finance capital, a 'new class' defined by its investment function—all this seems to point to a new paradigm. We may be witnessing the construction of a 'hegemony in reverse' on the periphery, typical of the era of globalization. South Africa was probably the first announcement of this phenomenon, in which the oppressed appear to assume the moral leadership of society, while capitalist relations become ever more brazen. The dominated classes of South Africa, largely identified with the black population, defeated apartheid—a regime to compare with the worst of the 20th century—and then surrendered to neoliberalism, as the burgeoning slums of Johannesburg testify. Thus the overthrow of apartheid maintained the myth of a popular capacity to defeat its adversary, while legitimating unfettered exploitation by the most merciless capitalism.

Something of this kind could be taking place in Brazil. The PT provided the moral leadership for Brazil, during the resistance to the military dictatorship, bringing the question of poverty and inequality to the fore. Lula's election as president seemed to mark the end of class prejudices and his expansion of the Bolsa Família was proclaimed as a defeat of

poverty, heavily racialized in Brazil; so this too would be a blow against a kind of apartheid. But the Bolsa Família serves to depoliticize the question of poverty, turning inequality into an administrative problem, while closing off the possibility of any national-developmental project or totalized transformation of social relations. If the Bolsa were to be significantly expanded—for which the primary surplus would only need to be reduced by 0.1 per cent—the foundations of this ‘reverse hegemony’ would be consolidated further.

We are dealing here with a new phenomenon, unlike previous forms of domination. It is not exactly patrimonialism, since what the pension-fund managers control is money-capital. It is not the paternalism of Brazil’s long age of slavery, since Lula is no patriarch, much as he might like to follow Getúlio Vargas in calling himself the ‘father of the poor’; but what he and his class superintend is capital. Neither, for reasons outlined above, is *petismo-lulismo* a traditional form of populism, as critics on the right, and some on the left, have suggested. Under this new order, it *seems* that the dominated dominate, since they provide the ‘moral direction’ and even provide the personnel to staff state organizations; it *seems* that they are the capitalists, since the pension funds of the large state enterprises are the heart of the new Brazilian financial system; it *seems* that they control politics, since they have at their disposal powerful factions in the Chamber of Deputies and in the Senate; it *seems* that the economy has finally been stabilized and that Brazil has a solid currency, due to the policies of the Lula government.

This set of appearances conceals something for which we do not yet have a name. The dominated realize the ‘moral revolution’—defeat of apartheid in South Africa, election of the Workers Party in Brazil—which is then transformed and deformed through capitulation to unfettered exploitation. The terms of the Gramscian equation ‘force + consent = hegemony’ have been turned upside down: ‘force’ has disappeared, and the direction of consent has been reversed. For it is no longer the dominated who consent to their own subordination; now it is the dominant who consent to being ostensibly ‘led’ by representatives of the dominated—on condition that they do not question the forms of capitalist relations. This new paradigm may prove to be a functional one for globalized capitalism. It is an epistemological revolution before which all existing theories of politics pale.