Millionaires, the established, the outsiders, and the poor. Social Structure and Political Crisis in Brazil

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Introduction

On 1 January 2003, Luiz Inácio Lula da Silva, a migrant from the Brazilian Northeast and former metalworker in São Bernardo do Campo (in the industrial area of São Paulo), was sworn in as the president of Brazil. His first term gave rise to a power system André Singer (2012) labeled Lulism, implying a double strategy that maintained an orthodox economic policy with high interest rates, floating exchange rate and balanced public budget while strongly expanding social disbursements and raising the minimum wage in real terms proportional to the country’s economic growth (Fritz and Lavinas 2015). This strategy ensured gains for both the rich, who were exempt from tax increases or confiscation of goods or assets, and for the poor, who could benefit from cash transfer programs as well as from the economic growth that yield new economic opportunities. From the political-institutional point of view, this power system was supported by the coalition between Lula’s Party, that is Workers’ Party PT, created during social struggles against the military dictatorship (1964-1985), and several conservative parties.

This power system proved extremely successful, ensuring Lula’s re-election in 2006; the election of his chosen successor, then-unknown Dilma Rousseff, in 2010; and her re-election in 2014 - even though the signs of Lulism’s exhaustion were evident from 2013 onwards. Between 2003 and 2013, Brazil’s Gross Domestic Product grew 64% and the percentage of the population living in poverty was halved, according to measurements based on monthly income. In addition, social spending grew significantly, the minimum wage increased by 75% in real terms and millions of new formal jobs were created every year (Bielschowsky 2014; Pochman 2014).

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Since 2014, however, Brazil has faced a dramatic crisis, which has transformed the country into a “dreamland for social scientists [and] the nightmare for everyone else” as properly described by a University of London economist Saad-Filho (2016). On the one hand, a political and an economic crisis fed themselves reciprocally, generating economic recession, lower formal employment and higher household debt. While investigations against corruption paralyzed the political system, the GDP annual growth rate fell from 7.6% in 2010 to 0.1% in 2014 and contracted 3.8% in 2015. At the end of 2015, the Brazilian congress started an impeachment process against the president Rousseff, who has allegedly violated Brazilian budgetary laws. The president was first suspended in April of 2016 and finally removed from office in August 2016. Until December of 2016, when I concluded this chapter, the vice-president Temer, who assumed the presidency in April of 2016, has not been able to re-establish political and economic stability.

On the other hand, the crisis fueled the curiosity of social scientists. They wanted to uncover the political polarization of a country that, notwithstanding its violent past, experienced all major transitions – including independence, the abolition of slavery and proclamation of the republic in the 19th century, as well as democratic transitions in the 20th century – not through revolution, but through agreements between elites. This essay is an attempt to explain this paradoxical situation by combining socio-structural and political power analysis.

I argue that the contemporary political crisis in Brazil represents a distributive conflict involving four classes or strata, defined using not only socio-economic indicators but a multiplicity of vectors of social inequality. Initially, I recover some of the central arguments supporting the timeliness of the concept of classes and strata under late capitalism. I subsequently seek to understand recent changes in the Brazilian social structure, considering the following classes or strata: Millionaires, the established, the outsiders and the poor, classified according to five vectors of social inequality: material wealth, positions in hierarchical organizations and socially valuable spaces, socially valuable knowledge, exclusive associations, and existential rights. Finally, I interpret the contemporary Brazilian political crisis as an expression of distributive conflicts between these four classes or strata within three corporative hubs: wage labor, capital, and state.

**Analytical Framework: Reconciling Marx and Weber**

*Classes and Strata Matter*
Starting in the 1940s, the study of social stratification from a functionalist perspective became hegemonic in the field of sociological studies on social inequality, at least in the Anglo-Saxon world. According to this perspective, inequality is functional and necessary for societies, to the extent that those who engage in socially relevant activities and/or have a higher level of “training or talent” should be rewarded with more resources (Davis and Moore 1944: 243). Although they share a staunch opposition to this functionalist reading, inequality research following the Weberian tradition and the Marxist tradition evolved independently from each other in the post-war period. Only recently, efforts to bring those two traditions together have become more visible.

In their many variants, Marxist approaches share at least two common premises, namely: i) they consider that the capital/work relation shapes social structures to the extent that those with the means of production are the owning or dominant class and those who sell their labor power form the working or dominated class; ii) they establish a necessary logical link between structural class belonging and cultural and political choices. This means that if the working class does not display the cultural and political behavior corresponding with its structural condition, this is due to ideological deviations (Wright 1985).

Approaches based on Weber share the Marxist claim that social classes are a shaping principle of the social structure of modern societies. However, they disagree with Marxists when questioning the necessary link between class – understood as class situation, that is, as the material insertion in the social structure – and forms of action and behavior, both in the cultural and political level. Thus, the Weberian tradition rejects any political determinism stemming from class situation or position. In the words of Weber himself, people belonging to the same class may, under certain circumstances, act politically in favor of their common interests as a community of interests, “but it does not have to be so; in any way, a class is not a community [Gemeinschaft] and to treat classes as a conceptual synonym for communities leads to distortions” (Weber 1956 [1922]: 533). On the other hand, in the sense that a class is defined by a group of people sharing a “specific determinant of their vital chances” (Weber 1956 [1922]: 531) – namely, the place occupied in the hierarchies of wealth distribution, rather than whether or not they own the means of production –, the possible positions in the social structure reproduce themselves beyond the owning and the working class conceived in Marxism.

In addition, as shown by Parkin (1974), there is, according to Weber’s view, another reason for the multitude of structural positions which is the variety of strategies of social closure in class formation: “By social closure, Weber means the process by which social collectivities seek to
maximize rewards by restricting access to rewards and opportunities to a limited circle of eligible individuals. This entails the singling out of certain identifiable social or physical attributes as the justificatory basis of exclusion” (Parkin 1974: 3). To the extent that strategies of social closure go beyond the struggle to own the means of production, the existing class positions are also broadened.

Following this reasoning, the distinction between strata and classes is no longer relevant. That is, provided class or stratum are used as categories that define comprehensive positions in the social structure – with their respective strategies of social closure, and not just income groups, as functionalist stratification studies do –, it makes no analytical difference whether we refer to classes or strata.

The links between power asymmetries and social inequalities, as outlined by Weber, are also present in the work of N. Elias. The model of established-outsider figuration, developed by Elias and Scotson (1994 [1965]), deserves here particular attention. It was based on research of discrimination and stigmatization processes of new residents in a small English suburban town named in the study Winston Parva. As shown by the two authors, in this figuration, that is, in this web of interdependencies, established residents use all possible means – from defamation to the construction of access barriers – to jettison newcomers from social spaces as well as public and symbolic goods available in the community. According to the authors, the exclusionary practices within this figuration were not cultural or physical marks that differentiated the established group from the outsider group, but rather the power asymmetries that allowed the established group to give meaning to external traits, such that self-ascribed markers were decoded as symbols of superiority and instruments that legitimized advantages and privileges. In opposition, inferiority markers were assigned to outsiders to legitimize barring their access to socially valued goods and spaces.

Among contemporary contributions that sought to reconcile the Marxist and Weberian traditions to understand the role of classes and strata in constituting the inequalities that shape contemporary societies, the works of R. Kreckel (1992, see also Kreckel 2004) and G. Therborn (2013) are particularly relevant.²

² Kreckel emphasizes a crucial and widespread misunderstanding in the Anglo-Saxon reception of Weber (this is also the case of the Brazilian reception), when it comes to the three terms appearing in “Economy and Society” (§ 6 and chapter IV): Klassen, Stände, Parteien (Classes, Estates of the Realm, Parties) and is wrongly understood as the material (classes), symbolic (status groups) and power (parties) dimensions of the existing inequalities. As convincingly shown by Kreckel (1992: 57-63, 69-70), class does indeed correspond to the structural-material dimension of inequalities. However, Stände in Weber’s work do not concern the symbolic dimension, but rather
Kreckel adapts and expands to late capitalism the sources or vectors of social inequality identified by Marx and Weber, establishing a matrix with four vectors that produce vertical inequalities in contemporary societies: material wealth, positions in hierarchical organisations, access to exclusive associations, and knowledge. For examining how the different positions in the social structure articulated through these distinct vectors correlate with political actors interested in maintaining or transforming a “specific system of social inequality” (Kreckel 1992: 150), Kreckel develops a force field model, according to which effective inequality is the result of distributional disputes among three corporate actors: state, capital and wage labor, through the institutions and organizations that represent them, including parties, trade unions and interest groups. Around this core, social movements and protest actors are also relevant for representing marginalized and diffuse interests. Finally, “on the outskirts of the force field is the social-structurally organized population that reflects the social conditions of inequality for everyday life, from values and potentials for action defined according to their stratum, environment or specific condition” (Kreckel 1992: 161).

Unlike Kreckel, Therborn (2013) is not concerned with developing a systematic theory of class or inequality. His aim is understanding existing inequality structures as an entangled product of national and global processes and flows. Accordingly, he first distinguishes three dimensions of inequality, namely, vital inequality, existential inequality, and resource inequality, analysing how these different forms of inequality have recently changed at the global level. By observing these developments, he draws attention to the fact that the nation-state has become one of the institutions buttressing the reproduction of inequalities. According to him, nation-states still exercise in certain circumstances their historically assigned role of controlling the influence of capitalism on generating social inequalities and imploding social solidarity ties. However, since the 1990s, “national cohesion and equality have been dumped for national attractiveness of foreign capital, in China and Vietnam as well as in Argentina, Eastern Europe and elsewhere. In this way, nations have become territories of cheap bodies, pimped by their elites to foreign capital, and as such almost unprecedented generators of inequality. [...] Nations and national boundaries [...] provide the national pimp governments with their exorbitant rents, and they constitute major barriers of exclusion to poor migrants” (Therborn 2013: 175).

the extent of interactions, relationships and social networking between peers, something close to Pierre Bourdieu’s (1979) notion of social capital. And parties, in turn, cannot correspond to the power dimension since power is not one single dimension of inequality in Weber’s reading, but a transversal category that permeates all other dimensions.
In connection with this reconfiguration of nation-states, Therborn researches a central development in the global dynamics of class struggles during the first years of the 21st Century, that is, the decline – at least on a discursive level – of the importance of the working class as a collective subject and the generalization of discourses on the middle class. This obviously has nothing to do with the hypothesis of structural leveling of global inequalities, which are actually increasing. In truth, these are ideological discourses that – according to Therborn – go in two different directions: the suffering and “larmoyant” tone of the upper middle class, which has supposedly been “left behind the soaring oligarchy of current financial capitalism” (Therborn 2013: 178); and the discourse of the middle classes in the Global South which, inflated by international agencies and business consultancies, goes against the former, being “jubilant, telling about the arrival or the imminent coming of the Messiah, in the shape of consuming middle class” (p.178).

Approaching Brazilian Social Structure

Drawing on classical and contemporary attempts to reconcile Marxist and Weberian analysis of social structures as summarized in the previous section, we can identify at least five vectors which are crucial for structuring social hierarchies in contemporary Brazil:

1. Material wealth, including property, means of production, income and other assets that can be converted into money (Kreckel 1992);
2. Positions in hierarchical organizations and socially valuable spaces. This vector includes both ranks occupied by individuals in organizations on the labor spheres as well as positions in social life which are, following the “meritocratic ideology” (Kreckel 1992), linked to different levels of prestige, power and compensation. Particularly relevant in the Brazilian case are leisure spaces (recreational clubs, concert halls, etc.) or even contexts of consumption of goods and services (shopping malls, airports) in which discretionary criteria for access (economic or informal) are applicable.³ Attending these spaces represents an important dimension of the class experience in Brazil. As a consequence, preventing new aspirants to such spaces to accede is a particular form of social closure.

³ These spaces reflect and reproduce social hierarchies in a multitude of ways: through an architecture that often hinders the access of the carless or ensures more comfort and agility in service to those willing to spend more; through overt surveillance of “intruders”, defined by appearance, ethno-racial criteria, etc. (Caldeira 2014; Nascimento et al. 2015).
3. Socially valued knowledge. This category refers to skills required in contemporary capitalism which are usually expressed in degrees and titles as well as, for statistical purposes, in years of schooling. In the case of Brazil, degrees and years of schooling do not represent general equivalents with automatic consequences for social mobility: The extremely heterogeneous quality of education received during schooling by the rich and the poor functions as an instrument of social closure inasmuch as the socially more valued education received by the wealthiest assure them better positions in the social hierarchies (Quadros 2008).

4. Access to exclusive associations: This vector is translated into access to formally or informally established associations which guarantee benefits and privileges to its members (Weber 1956 [1922]; Kreckel 1992).

5. Existential rights: This vector expresses hierarchies in ensuring existential guarantees, corresponding to the “unequal allocation of personhood, i.e., of autonomy, dignity, degrees of freedom, and of rights to respect and self-development” (Therborn 2013: 49). The significant percentage of the economically active population working in the informal sector without any labor guarantees, the systematic violation of civil rights by state and private actors, and unequal access to justice justify addressing the existential hierarchies as a separate dimension of the existing inequalities in Brazil.4

The positions occupied in the hierarchy of possession of or access to each of these five features determine the classes and strata found in the Brazilian social structure, at least in general terms. They also define fairly clear groups, based on ethno-racial categories (Guimarães 2002; Costa 2015).5 As will be seen below, this statement does not imply a entire overlap of strata arising from the five vectors. Nevertheless, the trend towards their convergence is undeniable: They define a vertical system of social structuring that is reasonably consistent and coherent with regard to the different dimensions of inequality. Thus, the stratum with the least material

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4 Strictly speaking, one would have to include a sixth vector of inequality – the socio-ecological inequalities (see Dietz in this book). In contemporary Brazil, the expanded production of commodities has created new environmental risks and damages to the rural population, while the dramatic increase in the number of cars and motorcycles circulating in the cities has deteriorated the quality of urban life, affecting different social classes and strata with diverse intensities. This chapter does not take this sixth dimension into account, given the difficulties in estimating its impact on the social structure.

5 Gender hierarchies are not equally applicable to the five vectors considered here: While income disparities, participation in exclusive associations and advantages in hierarchical organisations for the man are widely spread, women have more years of schooling than men. In case of existential rights, a quite differentiated picture is observed: While men - and especially those whose are black and poor – are, for instance, preferential victims of police violence, women are more affected by domestic or sexual violence (for indicators from different social spheres see: IPEA 2015).
resources occupies the lowest positions in hierarchically organized organizations and spaces. These individuals are also those who hold less socially valuable knowledge, who have less access to powerful exclusive associations and whose existential rights are less protected.

The concrete mechanisms and dynamics leading to both the perpetuation and the displacements or transformations in this system of vertical inequalities in contemporary Brazil are certainly quite different from those identified by Kreckel (1992) in his study of Germany, marked by a comprehensive and protective social welfare state. Nevertheless, the abstract description of the distributional disputes in German society, as offered by Kreckel, also applies to the Brazilian case. This means that in Brazil, too, these disputes take place in a force field comprising three corporate hubs: state, capital and labor. Institutionally, political parties are the main actors behind distributional negotiations. Legally established interest groups, such as business associations or trade unions, also participate in these disputes. Also relevant are informal networks among representatives of the three corporate hubs, especially among those linked to capital and state. These informal channels are essential in the reproduction of existing inequalities and also constitute a central mechanism for the strategies of social closure adopted by the wealthiest.

Besides the political parties, a multiplicity of concrete actors (such as social movements, non-governmental organizations, pressure groups, mass media, etc.) as well as the formation of public opinion and political will at the level of the public sphere are key to the legitimization of inequalities as well as to the struggle for their mitigation. This means that public debates do not merely influence the choices and preferences of individual voters, these debates also flow into the decision-making bodies in the corporate field, guiding and legitimizing decisions, including those with distributive impact. (Habermas 1992; Avritzer and Costa 2004)

It is also crucial to adequately take into account the role of the international context in distributional disputes between the three hubs: capital, work and state. The topic is certainly vast and involves discussing the inclusion of a country in the world economy, since – for example – there is evidence of a positive correlation between the production and export of primary goods and inequality levels (Korzeniewicz and Moran 2009, see also Boatcă 2015: 117ff). It also involves analyzing various external linkages and flows, from the international transfer of profits and immigrants’ remittances to cooperation agreements and international treaties concerning social or cultural rights. The latter may impact the social structure at the national level by inhibiting race or gender discrimination, for instance. At the same time, states alter domestic distributive parameters by “pimping” countries for foreign investors in
Therborn’s terms as described above. This has frequently occurred in Brazil: In the search for creating an institutional environment that is supposedly more conducive to attracting investment, Brazil adopted – especially during the 1990s - measures such as tax breaks, suppression of labor rights or grants and special rights to investors, fostering the internal concentration of wealth and entitlements. This kind of measures builds also the core of the programme adopted by the new Brazilian government after Rousseff’s impeachment (Franco 2016).

Social structure in Brazil: Recent Changes

For analysing the current crisis in Brazil, it is necessary to first assess changes observed in the Brazilian social structure, since the Worker’s Party took power in 2003. The five vectors of inequality highlighted above will guide this exercise whose aim is not a detailed study of the Brazilian social structure through a precise quantification of the mobility of different groups. The central goal is to identify structural shifts which, according to my hypothesis, led to the current crisis. Therefore, there is no concern here in naming classes or social strata that cover the entire Brazilian population, but only those whose upward or downward mobility help explain the crisis. According to this logic, it is particularly interesting to follow the movements of four strata: the poor, the outsiders, the established (middle class) and the millionaires.

The Poor

Fraser (2010: 370) suggests adopting the expression “transnational precariat” in place of “the global poor” to refer to the segment of the global population subjected to different forms of exclusion which “arise from the convergence of multiscaled processes, as when global economic structures intersect with local status hierarchies and national political structures.” Although I recognize the “multiscaled processes” highlighted by Fraser, I adopt here the expression the poor to refer to the part of the population that occupies the most inferior positions in Brazilian social hierarchies in order to adequately differentiate the poor and outsiders as described below, which also use to live in precarious conditions. In reference to the debate on scales of inequality and of justice, it is warned that these positions, even when they are understood in their national dimension, reflect the entanglements between the local, national
and global as well as interpenetrations between different hierarchies, especially those of class, gender and race/ethnicity.

The Brazilian poor, in the sense adopted here, corresponds to the segment of the population which lives below the poverty line and which either lives from social aid and other social transfers and/or occupies the positions least valued on the labor market, which includes strong participation in domestic labor. When we consider incomes, we observe that the poor was significantly reduced in the past decade. According to the data from the CEPAL (2016: 18), 37.5% of the population were poor or indigent in 2001, falling to 16.5% in 2013.

As far as the knowledge vector is concerned, if one considers the variable years of schooling, there has been a substantial increase in the situation of those considered poor and very poor in the official statistics: Between 2003 and 2013, the period of schooling for the poorest 40% of the population increased an average of 1.5 years, reaching 5.9 in 2014, while the richest 20% added close to one year more of schooling in the same period, averaging 10.8 years (IBGE 2014).

With regard to exclusive associations, there is no reason to believe that the poor as such created new forms of special access to goods or socially coveted spaces in the period under consideration. Nevertheless, if we view the data on poverty, we can see that its reduction was slightly higher among the black population and women (IPEA 2015), which might indicate a fall in the impact of the exclusive associations of whites and men on inequality.

Regarding existential rights, the expansion of social and housing programs, besides the increase in the level of formalization of labor relations, even in less qualified jobs on the labor market, represents a considerable broadening of the existential rights of the poorest during the PT administrations.

Outsiders (Newcomers)

The denomination “outsiders” is of course not a self-ascription. It fits in the context of the established-outsider figuration described above and expresses the dynamic activated when former poor groups experience upward social mobility and increment their level of income and consumption, going on to dispute social spaces and goods previously reserved for the established middle class.
In relation to vector wealth, the increase in income and consumption capacity in the last decade is impressive for those who passed from the condition of poverty to become “the new middle class”. According to measurements carried out by Neri (2012: 27), no fewer than 39.6 million Brazilians made this journey between 2003 and 2011. The consumer power of this contingent, vastly based on the expansion of credit facilities, explains, to a great extent, the enormous expansion of durable consumer goods observed in the last decade, broadly sustained in the expansion of credit facilities (Lavinas 2016).

With regard to knowledge measured by schooling, there is evidence that the outsiders benefitted substantially from the vertiginous expansion of higher education since 2003, when enrollment in institutions of higher education in Brazil jumped from 3.9 million to 7.3 million (MEC 2014: 26). The expansion of university attendance of outsiders is due to, inter alia, the quota system introduced at public universities and programs such as PROUNI and FIES, which offer grants or loans so that pupils with less purchasing power are now able to study at private institutions (MEC 2014). This does not imply that schooling guarantees higher positions in the labor market. Because of the structure of labor market and due to the little “social value” of their certificates, even outsiders with academic degrees continue occupying less qualified jobs. (Scalon and Salata 2012: 397; Quadros et al. 2013).

Nevertheless, if we consider the positions in hierarchical social spaces as exclusive areas of leisure, consumption and the provision of services, it is evident that the increase in the outsiders’ consumer power shifts their position within these spheres formerly dominated by the established.

With respect to the exclusive association, there is no evidence, as in the case of the poor, that the outsiders managed to create organizations capable of guaranteeing them any privilege in the period analyzed. Yet the reduction of gender and racial disparities in this segment highlight a reduction of power in the associations linked to gender and ethnoracial discrimination.

Established

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6 In line with a rhetoric adopted by international organizations (World Bank 2013) and also by the PT, Neri (2012) uses the expression “new middle class” to celebrate income improvements of groups which counted among the poor strata at the beginning of PT administrations. In due course, different Brazilian social scientists criticized the rushed enthusiasm about the “new middle class”, pointing at the conceptual limits of basing a definition of classes only on income criteria (e.g.: Xavier Sobrinho 2011; Scalon and Salata 2012; Quadros et al. 2013; Pochmann 2014)
The reference to the established middle class operates as a counterpart of the outsiders in the context of an interdependent web as defined by Elias (2004). It is not the case here of defining a precise income interval for the group of the established, as this is not the principal criterion used for its definition as a class or stratum in this text. Nonetheless, in the sense of evaluating the dislocations in the social structure based on the five vectors of inequality selected, and resorting to the model of five income classes, A to E, we can affirm that this group corresponds to those who already found themselves in class C in 2003, in addition to the members of the class B. From the point of view of wealth, if one takes into account only the income variables, one sees that this group saw significant absolute gains in the period between 2003 and 2011 (Neri 2012; Pochmann 2014). From 2011 up to 2014, there was a rise in the number of Brazilians that belong to classes B, and C, with their share in the total income also increasing. Regarding property and other assets, there was a clear rise in the wealth of the middle and high-income groups in recent years (2014).

With regard to schooling, the average number of years in school for the richest 40% grew by nearly a year between 2003 and 2013, reaching 9.4 years in 2014, a little behind the years of schooling added among the poorest. Particularly relevant is the growing participation of the poorest among the university population and the resulting decline in participation among the richest in this group. In 2004, the richest 20% of the population corresponded to 54.5% of the enrollments in public institutions and 68.4% in private ones; in 2014, 36.4% and 40.9%, respectively (IBGE 2014).

There is no evidence that the established descended to inferior positions in the labor market, at least not in the period 2002 to 2009 analyzed by Scalon and Salata (2012). Nevertheless, the loss of the positions of the established is evident in at least two contexts. The first regards socially segmented spaces such as shopping malls, airports, leisure spaces, etc. in which the growing presence of outsiders has provoked reactions of repulse and rejection on the part of the established.7

The second loss of position for the established concerns a specific labor relation, that of domestic workers hired by close to 7% of the employed population in Brazil (IPEA 2015). Since

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7 One case of blame gossip that became paradigmatic for the public repercussion it received in social and mass media occurred in 2014. A university professor posted on her Facebook profile a photo of a man (who, as it later turned out, was a public prosecutor) dressed in a tank-top and Bermuda shorts in the terminal of the Santos Dumont Airport in Rio de Janeiro with the caption: “Airport or bus station?” Among many other posts that shared the indignation of the professor appeared: “The glamour of flying is definitely gone.” “This is only a sample of what I’ve seen in Brazil.” (Toledo 2014: 2)
2003, the increasing of minimum wage and new labor rights have led to the gradual disappearance of the model of exclusive domestic worker who is permanently at the disposition of the employer, without a clearly defined contract or working schedule. No longer able to count on the comprehensive provision of service at an extremely low cost, the established middle class loses its social position and must undergo important revisions of family arrangements based on the externalization of the costs of gender inequality.

Regarding the exclusive association, there has been, during the PT-administrations, a reduction of the relative efficacy of those instruments which the established have at their disposal for their strategies of social closure. After all, even though rejected and ridiculed, outsiders made one major achievement in the access to social spaces such as universities, shopping malls and airplanes that the established understood as being for their exclusive use. Finally, existential rights for the established were not expanded, but they were not explicitly reduced in the period analyzed either.

**Millionaires**

There is surely a certain sociological arbitrariness to treating the richest 1% of a given population as a specific class or stratum among four considered groups. However, the importance they are acquiring in international debates on inequality, and the extraordinary percentage of wealth appropriated by them in Brazil, beyond their stronger resistance to crises, justify treating them as a group apart in the Brazilian stratification. The proportion of income appropriated by the richest 1% – namely, those who earned more than 203,100.00 reais a year in 2012 – has recently increased reaching 25% of the total income of all Brazilians after a period of decreasing between 1987 and 2005 (Medeiros et al. 2005; Milá 2015). The concentration of wealth, for its part, is even greater and also persistent: The Gini coefficient for property and other assets was at 0.860 in 2006 and 0.849 in 2012. Little more than 400 thousand tax payers, corresponding to 0.2% of the total population, concentrated in 2012 about 47% of all of the whole declared wealth in Brazil (Castro 2014: 103). Based not on the income statements but on the PNAD household surveys (see IPEA 2015), we know that the proportion of blacks among the richest 1% rose, between 2003 to 2013, from 9.6% to 14.9%.

Based on the variations of schooling of the richest 20%, the group which millionaires belong to, one can assume that there was an increase in years of schooling in all of the period, although
this has remained slightly lower than the average rise of schooling among the whole Brazilian population.

With regard to positions in hierarchical organizations, there are indications of shifts among the different sectors of the economy given the loss of industrial productivity, the gains of agribusiness in the past decade and the increment of financial gains. Nonetheless, the richest 1% maintain their prestigious positions in the economy. Even the loss of positions that affect the stability in hierarchical social spaces does not directly reach the millionaires, given the great social and even spatial distance that separates them from the outsiders. Nor do the variations of the domestic labor market affect them, since their average monthly income reaches almost 100 times the minimum wage.

With relation to the exclusive association, informal agreements and criminal networks among politicians, parties and large entrepreneurs, especially those in the business of construction (Anderson 2016), have traditionally constituted an effective strategy of social closure for the millionaires, guaranteeing a restricted group privileged access to public funds.

Finally, regarding existential rights, there are no factors that indicate any reduction in their full validity for millionaires during the entire period studied.

The table below summarizes the shifts in the Brazilian social structure in accordance with has been described up to now:

**Table 1: Recent Changes in Brazilian Social Structure 2003-2014**

Table 1 ABOUT HERE

Since 2014, the economic recession has led to economic loses of wealth, especially income, to all four strata, although with different intensities. Accordingly, the poor as well the outsiders are particularly affected since dismissals among less skilled sectors have been massive. The established, especially highly qualified workers, are less affected by the increasing unemployment (Barufi 2016), although they are more affected by reduction of income, since higher salaries have recently suffered a higher proportional reduction than lower salaries (IBGE 2016). Also millionaires are recently losing income in absolute terms, given the current downturn of the economy and the reduction of profits. Millionaires are also facing losses in their privileged access to public funds due to the current investigations against corruption.
**Social Structure and Political Crisis**

The movements observed in the Brazilian social structure correspond to shifts in the *forces field* among state, capital and labor which, in turn, reflect relations of dependency and interdependency with the global context. These interdependencies concern, firstly, financial flows such as foreign investments, remissions of profit abroad or other profits obtained by Brazilian companies abroad. These flows affect the amount to be apportioned, in turn affecting the social distribution among the hubs capital, labor and state, as well as among the different social classes or strata. Another important component of these interdependencies is the Brazilian insertion in transnational production chains that were modified substantially in the period, given the retraction of industrial activity (Pochmann 2013). The growing specialization in commodity exports ensured that the persistent fall of the international price of raw materials since 2010 dragged the economy into a recession and altered the parameters of the internal distribution of income and wealth. Beside this, global shifts observed in some sectors of the economy, such as the extensive subcontracting in the banking sector, dramatically modify the margin of maneuver of distributive negotiations at the national level, as Sproll (2013) shows.

At the political level, on the one hand, the amicable rhetoric concerning both national and foreign capital adopted by the Brazilian government in all of the period implied restrictions to economic policy and to the adoption of more emphatic redistributive measures, so as to maintain the so-called “confidence of the markets.” On the other hand, international law conventions ratified by the Brazilian government and the transnationalisation of social movements observed in this period influenced the national distributive game in favor of less privileged groups, as in the case of women and blacks (Costa 2015).

If we consider the distribution of resources among the hubs capital, labor, and state, there was an increase in the state participation in the general distribution of income in the period considered: Tributary revenue went from 31.4% of the GNP in 2003 to 33.5% in 2014 (Ministério do Planejamento 2015). When we observe the composition of the tax burden, however, the asymmetries of power among the three corporative hubs are fairly evident. In contrast to countries with a better income distribution that tax capital gains up to 42%, Brazil exempts profits and dividends from income tax. Levies on income, representing 26.5% of the total, and on the consumption of goods and services, representing 49.7%, formed the bulk of tax collection. (Castro 2014: 25, data from 2012). That is, if it is true that the PT governments augmented expenditures on social policies to combat poverty, there were no shifts as far as revenue was concerned: The model continued to be based on regressive indirect taxes, i.e. taxes
which promote the concentration of income. In the period studied here, there was no organized 
movement whatsoever nor any systematic discussion in the Brazilian public space regarding 
the distributive consequences of this tributary structure.

Lula was elected president in 2002 with a government program which emphasized the fight 
against inequality. His votes were well distributed throughout the national territory and among 
the different income groups, with impressive results in larger cities and among better educated 
groups, historical electoral bases of the PT. Starting with his reelection in 2006, a tendency was 
initiated that deepened with the election of Dilma Rousseff in 2010 and her reelection in 2014. 
From then on, Lula’s main electoral base and later that of his successor Rousseff began shifting 
more and more toward poorer groups, moving from the southeast toward the northeast of the 
country and from larger cities to smaller ones (Braig et al. 2015; TSE 2014). The party’s 
discourse was also modified. While the redistribution of wealth did not disappear completely 
from the electoral programs, the focus did shift toward expanding the possibilities of 
consumption, the individual social mobility and the middle class.

Next to the political dedication to a “new middle class”, the commitment to fighting racial and 
gender discrimination became explicit in the discourse used by the PT presidents and in many 
of their government actions. At the political level, this set of discourses and actions are seen as 
a threat to the established characterized above. The losses are not economic, since the 
established increased their income and wealth in the period of 2003 to 2013. They faced losses 
of position in hierarchical contexts and a loss of efficacy of their exclusive associations to 
guarantee their strategies of social closure. Early on, some of the media began vocalizing the 
fear of the established, constructing the discourse of the “larmoyant” established middle class 
in opposition to the “jubilant” “new middle class” (the outsiders), as exemplary demonstrated 
below:

“Nowadays, the middle class is the real ‘black’ of Brazil: It pays abusive taxes, it does not use 
our terrible public services and is forced to assume its health, education and security costs alone 
[…]. Let me remind you: Nobody protects the middle class, neither the state nor NGOs, 
churches … nothing.” (Azevedo 2007: 106)

This kind of discourse, which combines defending the class position of the established with 
discrediting the fight against gender and racial discrimination, has been crystallizing with time 
into an anti-PT discourse. This is easily comprehensible: The party and many of its 
representatives, among them their most important leader, Lula, embody the “invasion” of the
outsiders in social and political spaces formerly reserved for the established. Although the larmoyant discourse of the established has accompanied the entire period in which the PT occupied the government, their power to mobilize broad segments of society remained inexpressive as long as the Brazilian economy was growing at accelerated levels and the poor, the outsiders and the millionaires saw their material and social condition improve.

However, these critical discourses gained public resonance in the second half of Dilma Rousseff’s first mandate and, starting in June 2013, fed a series of public protests with marches and demonstrations in various Brazilian cities. Little by little, more right-wing movements of the political spectrum started to organize demonstrations which, despite adopting a generalized tone of critique of institutionalized politics, are becoming more and more distinctly a protest against the government and the Workers’ Party in general.

In the parliamentary context, the PT never managed to hold even one fifth of the seats in Congress, despite having the most numerous fraction. This forced the party to establish alliances with the remaining parties. After the failure of the strategy of direct purchase of the loyalty of parliamentarians in 2005, the PT began – as mentioned above – to give ministries and positions to politicians and allied parties, who in turn administered directly their criminal associations with private initiative. The PMDB became the most important allied party and was represented by vice president Temer when Rousseff won the elections in 2010 and 2014. In its own way, the model functioned fairly well until 2015, when a sweeping action against corruption in Brazilian politics was initiated, combining the forces of the judicial branch and the federal police. Besides impeding or at least limiting the access of politicians and parties to the channels of the generation of illicit resources that were lining their pockets, the attack generated panic among the politicians and entrepreneurs involved, due to the fear of being discovered and arrested, as has indeed happened in several cases. The investigations dismantled the bases upon which Dilma Rousseff’s parliamentary majority lay leading to her impeachment in August of 2016 as mentioned above.

In public space, important changes also occurred. From the end of 2015 on, in view of the worsening economic crisis, entrepreneurial entities led by the Federation of Industries of the State of São Paulo (Federação das Indústrias do Estado de São Paulo - FIESP) entered into a political dispute in favor of deposing the president. At the same time, as the possibility of impeachment became more and more imminent, social movements and intellectuals who, in previous years, had distanced themselves from the PT, rearticulated themselves to organize a reaction to what they saw as a parliamentary coup d’état against a president who was
legitimately elected by popular vote. In this way, public protests began to alternate between those who, starting in 2013, were organizing demonstrations against the PT, and those who went out on the street to support the president. The average level of schooling and income of the demonstrators both in favor of and against the impeachment were much higher than the Brazilian average, indicating that the poor and a large part of the outsiders were absent from the demonstrations (Alonso 2016).

Conclusions

By shifting to studies that combine Marxist and Weberian traditions in the analysis of social structure, this chapter sought to present the contemporary Brazilian political crisis as a distributive conflict involving four classes or strata (the poor, outsiders, established, millionaires), defined using five determinant vectors of social inequality: wealth, position, knowledge, selective association and existential rights. The definition of these classes or strata considered not the position occupied in the social structure at a particular moment, but the social trajectory traversed by each group since 2003.

Generally speaking, the four classes or strata considered saw their wealth and their knowledge grow in the period between 2003 and 2014. Their existential rights increased or at least remained stable in this period. With relation to position and exclusive association, the movement observed between 2003 and 2014 is fairly discrete for the different classes: While the poor and outsiders ascended significantly in their social position, the established lost social position to the extent that their power to exclude outsiders from social spaces formerly reserved for their own usage diminished. The same logic applies to exclusive associations with regard to gender and race. Even though gender and ethnoracial equality are far from being achieved in Brazil, between 2003 and 2014, there was a decrease in the power of men and whites to discriminate against women and blacks. This loss of position in the hierarchies of class, gender and race fed the resentment of the established against the PT government even in times when, in terms of wealth, they experienced an ascendant trajectory.

Starting in 2014, the picture changed. The exacerbation of the economic crisis caused all of the groups, especially the outsiders, to lose income. The reduction of vacancies in the formal market produced a loss of existential rights, particularly for the poor and outsiders. The established, though less threatened by the outsiders (the most affected by the crisis), also experienced social decline as the recession advanced. Finally, the millionaires who had until then been gaining at all of the levels of inequality with the PT governments, lost at least part of
their exclusive associations as the investigations into corruption advanced and their criminal networks with the state and politicians were dismantled. It is precisely when the millionaires began to lose that the representative associations such as the FIESP entered into the political dispute in the public space. It is also at this moment that the effective changes in favor of the removal of the president began to occur. The impression that remains is that the established, given the resonance of their positions and opinions in the mass media, constitute a decisive actor in the formation of public opinion. Nevertheless, the formation of political will, in the sense of the agglutination of decisions with a binding effect, still depends on the dispositions of the millionaires. When they understood that their capital interests were threatened and their privileged channels of access to the state were obstructed, they joined the political fight unfolding in the public sphere, deciding the game in their favor. This was at least the partial result of the dispute among capital, state and labor at the end of 2016.

References


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