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BRAZILIAN BUSINESS AND THE DEMOCRATIC TRANSITION: NEW ATTITUDES AND INFLUENCE

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ABSTRACT

Brazilian business elites were the key civilian supporters of the 1964 military coup. During the transition to democracy these elites have faced the same threats that prompted their support for the coup: economic crisis, capital-labor conflict, and threats to private property. Yet, in contrast to their behavior in the earlier period, and contrary to the predictions in the transitions to democracy literature, these elites are now unlikely to endorse an authoritarian regime to resolve their problems. This paper provides insights into two main reasons why business elites have tolerated the democratic transition: their altered perceptions of the cost of authoritarian rule and their increased influence over political outcomes. It also suggests ways in which the new democratic governments may sustain business elites' acceptance of democracy without allowing them to hold the democratic governments hostage to their interests.

RESUMEN

Las elites empresariales brasileñas constituyeron el principal apoyo civil al golpe militar de 1964. Durante la transición hacia la democracia, estas elites se han tenido que enfrentar a los mismos desafíos que determinaron su apoyo al golpe: crisis económica, conflicto entre capital y trabajo, y amenazas a la propiedad privada. Sin embargo, en contraste con su comportamiento durante el período anterior y, contrariamente a las predicciones de la literatura sobre las transiciones hacia la democracia, es muy improbable que, hoy en día, estas elites respaldaran un régimen autoritario para resolver sus problemas. Este trabajo reflexiona en torno a dos razones principales por las que las elites empresariales han tolerado la transición democrática: la modificación de sus percepciones sobre el costo del régimen autoritario y su acrecentada influencia sobre los resultados políticos. También sugiere formas en que los nuevos gobiernos democráticos pueden mantener la aceptación de la democracia por parte de las elites empresariales sin que al mismo tiempo se conviertan en rehenes de estos intereses.

INTRODUCTION

Scholars generally view business elites' commitment to democracy as essential to democratic stability.[i] Accordingly, they often view the rejection of democracy by Latin American business elites in the 1960s and 1970s as ominous for the democratic transitions presently underway in that region. For example, O'Donnell and Schmitter warn:

> Should the mobilization of regime opponents seem to go "too far," however, then authoritarian rule may again be judged to be indispensable, if unfortunate. Moreover, as was suggested by the study of the breakdown of democracy, an authoritarian inflection by a large part of the bourgeoisie is usually accompanied by another symptom of impending danger: the mobilization of middle sectors in favor of a coup that will bring "order" to society.[ii]

This statement suggests three generally accepted, yet untested, assumptions about business elites' attitudes toward democratic transitions. First, full democracy threatens business elites' interests. Second, as during the 1960s and 1970s, business elites (along with the rest of the coup coalition) possess both the desire and ability to derail a democratic transition. Third, business elites believe that an authoritarian political system is more likely to protect their interests than a competitive democracy.

My research on Brazilian business elites during the New Republic government of President José Sarney (1985-1989) and the early years of President Fernando Collor de Melo's administration (1989-present) challenges these assumptions. While Brazilian business elites played a critical role in destabilizing the democratic government of João Goulart (1961-1964) and today face threats similar to those they encountered in the 1960s, they have not endorsed an authoritarian reversal. I contend that this is due to business elites' 1) altered perceptions of the costs of authoritarian rule compared to its benefits, and 2) ability to influence political outcomes within a democratic framework.[iii] These changes have led to greater tolerance for democracy among business elites, which is likely to engender greater democratic stability. Nonetheless, they have also increased business elites' success at limiting social and economic distribution, thus constraining the democratic process. I conclude the paper by suggesting how the democratic leadership might sustain business elites' acceptance of democracy while limiting the obstacles they pose to expanded liberalization.

Methodological Note

The research findings presented in this paper are based largely on interviews with 155 industrial leaders from both Brazilian and multinational firms, conducted between 1986 and 1988 primarily in São Paulo, the industrial center of the country. The interview subjects included: 1) directors of key business associations; 2) industrial firm presidents, directors, and managers who had been outspoken on political issues or involved in political activities during the 1964-1988 period and therefore were frequently cited in newspaper or magazine articles, business association archives, or secondary literature; and 3) industrial leaders who were not necessarily in the public eye but who were considered by other interview subjects to be leaders within the industrial community.

The interview questionnaire I developed included closed-ended questions that referred primarily to the background of the industrialist and the firm. I also asked in-depth open-ended questions that explored industrialists' opinions on a broad range of issues, including: changes in labor relations; current debates in the Constituent Assembly, trade unions, and business associations; and specific presidential administrations and political issues. I promised the industrialists anonymity. Therefore, when their quotes appear in the text, I have provided relevant background information on them without revealing their identities.

THREATS TO BUSINESS ELITES DURING THE NEW REPUBLIC

During the New Republic, business elites faced threats that had also existed in the period prior to the 1964 coup: economic crisis, changes in capital-labor relations, and the expropriation of private (rural) property.[iv] Despite these threats, and in contrast to the assumptions in the literature on democratic transitions, they did not mobilize against the democratic transition.

Economic Crisis

There is no doubt that the deteriorating economy President Sarney inherited from the military regime, as well as his inability to resolve that crisis, threatened business interests. As Table 1 indicates, although the first two years of the New Republic brought economic growth, inflation and debt remained high. Moreover, the economy began to decline at that time. Industry, in particular, suffered, and reacted by blaming the government. One director from the São Paulo Federation of Industries (FIESP) stated that Sarney had failed to guarantee the minimum needs of industry: profit, a market, affordable credit, stable rules, and solid institutions.[v] In particular,

industrialists criticized the government for its 1) unpredictable economic policies and 2) price and wage controls.

TABLE 1

Economic Indicators (1974-1989)

Year	Inflation	GDP	Current Accounts (millions)	GDP (Industry)
1974	27.6	9.7	-7.562	8.3
1975	29.0	5.6	-7.008	4.7
1976	42.0	9.7	-6.554	11.7
1977	43.7	2.9	-5.112	3.1
1978	38.7	4.9	-7.036	6.3
1979	52.7	6.8	-10.478	6.6
1980	82.8	9.3	-12.806	9.1
1981	105.6	-4.4	-11.751	-9.1
1982	97.8	0.6	-16.312	0.0
1983	142.1	-3.5	-6.837	-6.3
1984	197.0	5.1	0.420	6.2
1985	226.9	8.3	-0.273	8.9
1986	145.2	7.6	-4.477	11.2
1987	229.7	3.6	-1.275	0.6
1988	682.3	-0.3	—	—
1989	1287.0	—	—	—

Sources: International Monetary Fund, *International Financial Statistics* and the United Nations' Economic Commission for Latin America and the Caribbean, *Statistical Yearbook for Latin America*.

Unpredictable Economic Policies

Economic policy was highly volatile during the New Republic. In his five years in office, Sarney appointed four different finance ministers (Francisco Dornelles in 1985, Dilson Funaro in 1985, Luíz Carlos Bresser Pereira in 1987, and Mailson Ferreira da Nóbrega in 1987), who issued five different economic programs (Cruzado Plan I in 1986, Cruzado Plan II in 1986, the Bresser Plan in 1987, the Social Pact in 1988, and the Summer Plan in 1989) as well as numerous modifications of those programs. These ever-changing economic programs not only failed to

resolve the economic crisis but actually made it more unpredictable. For example, the Brazilian currency was changed twice (from the cruzeiro to the cruzado in 1986, and to the novo cruzado in 1989) and price and wage controls were periodically implemented and repealed. Moreover, the government did not forewarn industrialists about anticipated policy changes, and even when it made assurances to business, it ignored those assurances when they proved inconvenient.[vi] In short, industrialists could not predict with any certainty the short- or long-term economic future. The following statements from industrialists illustrate this point:

> Private initiative needs a clear signal from the government regarding the paths that it will take, so that it knows where to put risk capital... If we're going to run the risk of making long-term investments, we need the certainty that the rules are not going to change in the middle of the game.[vii]

> The most terrible thing in the world for business people is uncertainty. We business people live with risk and we know how to manage it. But this history of freezing prices for 9 months, unfreezing, refreezing, now regulating, deregulating tomorrow, indexes, disindexation... This constitutes an intolerable level of uncertainty which prevents us from investing and planning our future. I repeat: any rule is better than no rule at all.[viii]

In a histrionic plea for economic predictability, FIESP's president, Mario Amato, claimed that, as far as the business community was concerned, the government, "could be socialist, or even communist. The important thing is that there are rules that the business community can count on."[ix]

In response to the unpredictability of economic policies, industrialists demanded participation in, influence over, and information about economic decisions. They sought an end to the government's practice of developing policies in the isolated "laboratory in Brasília."[x] Nevertheless, industrialists had more influence over these economic policies than other social groups. For example, two of the four finance ministers (Funaro and Bresser Pereira) were from the Paulista business elite. In addition, Sarney personally attended meetings with industrialists, and even occasionally solicited their opinions with regard to economic policies.[xi] Furthermore, the government occasionally modified its economic policies to reduce the burden on the Brazilian private sector.[xii] Finally, many business elites possessed resources that they used to protect themselves—and even derive benefit—from the economic crisis, in particular capital flight, the "overnight," and speculation.

Price and Wage Controls

Industrialists argued that the price and wage controls implemented by the New Republic government in order to contain inflation hindered their ability to produce, invest, and make profits. For example, when the government froze retail prices, it did not always control the prices for

industrial inputs. Thus the costs of producing a given item sometimes exceeded its government-mandated retail price.

Businesses used various strategies to protect themselves from profit losses due to price controls. Some reduced the contents of their packages without reducing the price, thus defrauding consumers.[xiii] Others simply ignored the price controls and charged exorbitant black market prices.[xiv] Still others withheld their products from the market until the government allowed them to raise their price, which caused product shortages.[xv]

In addition to these individual firm strategies, business associations repeatedly demanded that the government withdraw the price controls. For example, on two separate occasions FIESP president Mario Amato threatened to organize business groups to carry out civil disobedience unless the government realigned prices.[xvi] This threat was never carried out, even though the government did not repeal the price controls.

Business elites also opposed the recessionary effects of wage controls. After an initial consumer boom under Cruzado Plan I, workers suffered serious wage losses which industrialists believed reduced consumer demand and, therefore, industrial sales and profits. At that point, the real minimum wage had reached a level comparable to the 1950s. Nearly all of the industrialists I interviewed (81 percent) considered the minimum wage in 1987-1988 to be insufficient. The following quotes illustrate this concern among industrialists:

> We cannot live in a country of 130 million people of which 82 percent do not consume. This might seem like a PMDB or PT discourse, but I am a businessman, concerned with the internal market.[xvii]

> In 1987, wage increases were below inflation. There were no jobs. There was a drop in consumer power. And a fall in the internal market. The president forgot the internal market. He squeezed wages to pay the international debt. Workers are starving to death.[xviii]

Industrialists responded to the wage controls in various ways. Some paid their workers more than the minimum wage. For example, only 3 percent of the industrialists I interviewed paid their lowest skilled workers the minimum wage, while the vast majority (79 percent) paid above it: 70 percent paid 2-4 times the minimum wage, and 8 percent paid 5-7 times.[xix] Moreover, industrialists sometimes granted wage increases above the stipulated level. For example, when finance minister Bresser Pereira recommended in 1987 that employers offer no more than a 10 percent increase in wages, at first individual firms and then FIESP as a whole rejected his proposal and granted 46 percent increases.[xx] Some petitioned the government for more flexibility in wage-setting. For example, after the Bresser Plan was implemented, FIESP predicted that average real wages would fall by about 10 percent, and recommended that the government allow a wage bonus to reduce the impact of wage losses on industrial production.[xxi] Some called on

the government to allow the market to determine wages and prices. Finally, some industrialists threatened to join workers in their general strike against the wage controls of the Bresser Plan.[xxii]

However, the business associations did not consistently challenge the government's economic policies. For example, in October 1987, during the height of industrialists' vehement protests against the Bresser Plan, FIESP publicly declared support for President Sarney. A FIESP director defended this position, stating, "The President of the Republic needs respect to begin to take charge of the political structure in the country and to establish economic rules that restore confidence and stimulate investment."[xxiii] By vacillating between support for and opposition to the government's economic program, FIESP failed to mount a strong opposition. Many of FIESP's members accused the association of taking an accommodationist position toward the government—perhaps to encourage personal favors—rather than defending the business community's broad interests and articulating its demands.

The foregoing discussion of business elites' reaction to the economic crisis illustrates that, as in 1964, nearly all industrialists were dissatisfied with the "democratic" government's inability to resolve the economic crisis. However, unlike in the precoup period, three conditions prevented them from mobilizing against the government.

First, they retained some influence over economic policies through the selection of finance ministers and Sarney's attention to their opinions and needs. This influence led some business associations to believe that they could achieve maximum success by cooperating with, rather than confronting, the government.

Second, they employed individual means of countervailing negative economic policies (e.g., capital flight, speculation, defrauding consumers, and black market prices). Indeed, those industrialists who enjoyed various production, marketing, or financing options tended not to fear the economic crisis during the New Republic.[xxiv] As a result of these first two factors, there was not sufficient motivation within the business community to mobilize against Sarney.

Third, in general industrialists did not perceive that an authoritarian reversal would solve their problems. Although some industrialists continued to romanticize the "economic miracle" period, most realized that Brazil was now paying the price of the military regime's development strategy, for example, international debt, a devastated internal market, and expansive, ineffective, and costly state enterprises. Instead, industrialists viewed the prospects of an open and direct presidential election in 1989 as a means of replacing economic policies and policymakers without altering the political system. An article in a 1988 FIESP publication illustrated industrialists' hope for a democratic solution to their economic problems:

> The dark clouds accumulating on the horizon at the turn of the year will only be dissipated with an authentic and democratic government. A weak government

> without credibility...will not be able to do anything to change the economic picture for this year, i.e., recession, inflation, unemployment.[xxv]

Thus, like their counterparts in advanced industrial and democratic countries, Brazilian industrialists' dissatisfaction with the economy does not necessarily lead them to endorse a regime change. Instead, industrialists use their considerable political resources (e.g., significant economic power and social ties to key economic decisionmakers) to influence economic policy from within the existing political framework.

Capital-Labor Relations

Capital-labor relations underwent significant changes during the New Republic. Strong and independent trade unions and labor federations re-emerged. Strikes erupted anew and escalated in number (see Table 2). Employers were forced to negotiate directly with striking workers, rather than relying on the authoritarian state to intervene and end strikes. Changes in labor legislation allowed for shopfloor committees, the right to strike, and a reduction in the maximum number of weekly work hours from 48 to 44.

TABLE 2

Strikes in Brazil, 1985-1989

Year	Total Number of Strikes	Total Number of Strikers
1985	712	5,916,905
1986	1148	4,871,400
1987	1201	7,797,649
1988	656	7,275,422
1989	1702	16,597,585
Total	5419	42,458,961

Source: Departamento Intersindical de Estatística e Estudos Sôcio-Econômicos (DIEESE), *Boletim*, 1985-1990.[xxvi]

Despite these significant and costly changes (FIESP complained that these changes raised employers' costs by 30 percent), few employers seemed threatened by capital-labor

relations during the New Republic. Sixty-four percent of the industrialists interviewed expressed satisfaction with labor relations in their firms. Only 21 percent of the industrialists who felt threatened during the New Republic mentioned labor as a source of their fear. Employers did not feel threatened due to their 1) substantial control over changes in collective bargaining and legislation, and 2) perception that radicalism and the strength of the Brazilian labor movement were limited.

Control Over Changes in Labor Relations

Employers recalled their first experiences with direct negotiations—during the massive 1978 strikes—as disastrous. They felt that employers had yielded to workers' demands in order to end the disruption in production. As a result of these experiences, however, FIESP organized a system for collective bargaining and strike resistance. It established guidelines for negotiating with strikers and set up a telephone communication network to gather and disseminate information on strikes. FIESP also formed permanent negotiating teams, led by experts, to centralize bargaining sessions. The most powerful negotiating team was the "Group of 14" which negotiated on behalf of the metal, mechanical, and electrical firms in São Paulo.

Industrialists had mixed reactions to FIESP's system of labor relations. Most industrialists during the New Republic (61 percent) believed that centralized negotiations with labor through FIESP was optimal. Industrialists who held this view most strongly were from the oldest, most traditional firms and belonged to FIESP and other prominent business associations.[xxvii] These industrialists believed that FIESP's teams simplified labor negotiations and strengthened employers' power by providing a united bargaining front. The following excerpts from my interviews illustrate this view:

> Employers started negotiating in their firms. These firms started to give up a lot—make a lot of concessions to labor—too many. FIESP realized that this situation of negotiations was going to continue, and industrialists couldn't keep giving away so much. So FIESP got tough. It tried to centralize negotiations to end firm-by-firm negotiations and put a brake on concessions.[xxviii]

> Without the Group of 14 industry would be faced with a domino effect. Unions would get something from one industry and then go on to another, and eventually win all of their demands from all of the industries, and industries would have to give in to avoid a strike.[xxix]

On the other hand, a significant minority of the industrialists (39 percent) advocated—and, at times, engaged in—negotiations without the intervention of the government or business associations. Some of these industrialists believed that FIESP's labor relations specialists were more willing to accede to labor demands than were the owners of firms. As two industrialists commented:

> The labor relations experts give away too much because they have learned so much about labor and labor conditions—they're too sympathetic. Industrialists want to go back to the old days when they negotiated with labor because the experts give up too much.[xxx]

> It is better to get in front to discuss things with workers instead of using intermediaries, which weaken the position of employers.[xxxi]

Others believed that FIESP's efforts impeded direct negotiations and the successful resolution of strikes. They believed that FIESP was too intransigent with regard to labor demands, thereby prolonging strikes and costing employers more in production losses than they would have otherwise lost through increased wages.[xxxii] For example, one industrialist described his firm's relationship with FIESP as follows:

> We're under pressure from the FIESP Mafia to keep from paying higher wages. We do pay better wages and provide better benefits, but we don't want that to get out, because the FIESP Mafia will be after us.[xxxiii]

One might expect industrialists who prefer firm-level negotiations to be from larger enterprises which could more easily absorb the higher cost of labor. However, as the following quote illustrates, small firms also felt constrained by FIESP's intransigence.

> They [the leaders of FIESP] are traditional...right-wing...against direct negotiations in small firms. They support their own monopoly over labor relations. They inhibit the process of change. They are against modernity. They are retrograde. They do not work on behalf of the small firm. They put a wall up. They force negotiations through the Group of 14. And the smaller firms have just ignored the Group of 14 and done things their own way.[xxxiv]

Whether industrialists chose to negotiate through FIESP's teams or their own firm-level bargaining, they generally seemed satisfied with their ability to control production losses and wage increases through collective bargaining.

Another forum for industrialists to assert their control over labor was in the Constituent Assembly, the legislative body charged with writing the 1988 Constitution. In contrast to their success in collective bargaining, most members of the business community were dissatisfied with their influence in the Assembly. They had failed to defeat key labor provisions, specifically the reduction in work hours, shopfloor representation, and the unrestricted right to strike. However, for several reasons these issues did not pose significant problems for employers. For example, although most industrialists opposed the reduction in the work week, the majority of those I interviewed (74 percent) had already agreed to a 44- (or lower) hour work week in collective bargaining before the Constitution was ratified. Several prominent business leaders publicly

stated that they could tolerate this reduction.[xxxv] Employers retained control over shopfloor representation and strikes when they defeated the job security measure in the 1988 Constitution, which would have provided guarantees against arbitrary dismissal. Business elites and their advocates in the Centrão, a conservative block in the Constituent Assembly, replaced that measure with an indemnity clause allowing employers to fire employees at will as long as the employees were compensated.[xxxvi] Thus business elites remained free to dismiss individual workers who led strikes or participated in other activities perceived as threatening to the firm.

Labor Radicalism and Strength

Employers might have viewed the emergence of an independent trade union movement capable of successfully advocating for Constitutional provisions and leading strikes during the New Republic as radical and threatening. Yet this was not the prevailing opinion. Only a minority of the industrialists I interviewed considered the workers in their firms to be radical. As Table 3 indicates, most industrialists classified the workers in their firms as moderate left and center, and a significant number even put workers on the right. Only four industrialists considered workers in their firm to be on the extreme left.[xxxvii]

TABLE 3

Industrialists' Ideological Classification of Workers in Their Firms

Extreme Left	Moderate Left	Center	Moderate Right	Extreme Right	TOTAL
4 3%	37 29%	59 46%	25 20%	3 2%	128

While most industrialists did not perceive the workers in their firms to be radical, some viewed the trade union leadership in such a light. The following excerpts from my interviews with industrialists illustrate the view that certain groups (e.g., the Workers' Party, PT; the labor federation associated with PT, CUT; the progressive church; and trade union leaders) attempted to radicalize the labor movement, often through intimidation:

> Some strikes in the industrial sector are being provoked by the Workers' Party [PT] with the assistance of the church... PT's action is becoming more effective given the lethargy that has overcome the other parties with respect to their activities in the union area.[xxxviii]

> CUT and PT are trying to destabilize the economic situation. They want a country run by workers...to be owners of production and politics.[xxxix]

Although most industrialists I interviewed (77 percent) perceived CUT and PT as being on the extreme left,[xl] I did not find any statistically significant relationship between industrialists' perceptions of PT or CUT ideology and their fear of labor during the New Republic. Industrialists generally perceived the labor movement as nonthreatening due to several recent changes in labor relations.

First, a capitalist or pragmatic unionism, called the "sindicato de resultados" or goal-oriented unionism, evolved during the New Republic and challenged CUT's and PT's philosophy and tactics. Luiz Antônio de Medeiros (president of the São Paulo metalworkers trade union) and A. Rogério Magri (president of the São Paulo electrical energy trade union) spearheaded this new approach. They discouraged the involvement of trade unions and their leaders in national lobbies, campaigns, strikes, and protests, and instead advocated negotiation and bargaining as the most effective ways to achieve workers' goals. My survey data confirm that many industrialists viewed Medeiros and Magri as representatives of the true conservative interests of the Brazilian working class.[xli] As Tables 3 and 4 illustrate, most industrialists considered both Medeiros and the workers in their firms to be centrists.[xlii] Indeed, a large percentage of industrialists (48 percent) placed workers and Medeiros in the same position, while 29 percent placed Medeiros to the left and 22 percent placed him to the right of workers in their firms.[xliii]

TABLE 4

Industrialists' Ideological Classification of Luiz Antônio de Medeiros

Extreme Left	Moderate Left	Center	Moderate Right	Extreme Right	TOTAL
9 7%	54 40%	47 35%	20 15%	4 3%	134

Experiences under military rule and changes in the international left also appear to have altered industrialists' perceptions of a threat from labor. Several industrialists I interviewed commented that leftist mobilization in the factories and trade unions no longer concerned them since the left had abandoned its revolutionary zeal. These industrialists stated that the left had learned, after 21 years of repression, that radicalism was a self-destructive path. These industrialists also mentioned that the international left's symbols of the 1960s (e.g., the Cuban

Revolution, Fidel Castro, and Che Guevara) had been replaced with perestroika, glasnost, and Lech Walesa—hardly symbols that would threaten business elites.

Some industrialists also believed that workers were passive, or that the labor movement was too weak to threaten industrialists. This view was probably influenced by the tepid support among workers for the general strikes the leadership called during the New Republic. For example, on 20 August 1987 the labor federations called a general strike to demand real wage increases, agrarian reform, the inclusion of workers' rights in the Constitution, and a debt moratorium. A poll conducted by the *Folha de São Paulo* showed that although 87 percent of the population considered the workers' demands just, only 39 percent would honor the strike. Indeed, rank-and-file support was low. Even in the "militant" industrial suburbs of São Paulo, participation only reached about 20 percent. FIESP reported that while the normal absentee rate for workers was 3 percent, it reached only 5 percent on the day of the strike.

Finally, several industrialists believed that the labor movement contributed to, rather than threatened, political stability. This opinion was undoubtedly formed after the participation of labor and various political parties on the left in the Constituent Assembly, during which they proposed changes in the national labor relations system that the most powerful trade unions had already achieved in collective bargaining. Some industrialists clearly viewed labor and the left as willing to work through democratic channels to attain moderate demands.

In sum, there was no consensus among industrialists that labor was a threat in the 1980s. First, due to domestic experiences and changes in the international left few members of business elites viewed labor as radical. Second, during the democratic transition industrialists proved capable of controlling labor through individual and collective means, including collective bargaining and key legislative victories (e.g., the defeat of the job security measure) in the Constituent Assembly. Thus authoritarianism was not necessary to protect business elites from labor. Indeed, since a number of industrialists insisted that an intransigent response to labor demands heightened rather than reduced labor demands, authoritarianism may actually have been viewed as more disruptive than democracy.

The Expropriation of Private Property

The central threat to private property during the New Republic was agrarian reform, and industrialists' attitudes towards it were ambivalent. On one hand, many believed that agrarian reform might resolve the problems of urban migration and low levels of agricultural production. On the other hand, they feared legislation that would permit the government to expropriate private land, since it might lead to the expropriation of industrial firms.[xliv]

Not surprisingly, rural elites' attitudes towards the agrarian reform were unambiguous; they actively organized to defeat it. They also engaged in individual strategies to oppose threats to their property. In particular, they perpetrated violence against rural organizers and their supporters (e.g., in the church, the legal community, and trade unions).[xlv] Landholders' use of violence obviously threatens democracy, since it denies peasants their fundamental rights to political representation and organization, liberty, and, at times, life. Government authorities' failure to fully investigate and prosecute these rural crimes, thereby granting landholders virtual immunity, further weakened rule by law. Thus, when landholders felt threatened by an agrarian reform, their reaction to those fears threatened democracy.

Agrarian Reform

Faced with the pervasive problems of skewed land distribution, rising rural violence, and popular pressure for change,[xlvi] the Sarney government made agrarian reform one of its top priorities. Despite initial intentions, however, the program failed. At the end of Sarney's term in 1989, only 10 percent of the land initially targeted was actually expropriated and only 6.3 percent of the settlement target was reached.[xlvii]

Although one explanation for the failure of agrarian reform is structural and technical constraints,[xlviii] the primary obstacle was opposition from landholders. Ironically, Sarney stated in May 1986 that "the agrarian reform will go forward despite pressure from those who hope to slow it… I will not lose my courage."[xlix] However, even before he made that statement, he had compromised the goals of the agrarian reform due to pressure from landholders and their allies in the military and the government. This was true of substantive changes in agrarian reform policy (e.g., the focus on public over private land distribution and the increase in compensation to landholders) as well as in the personnel in charge of the reform.[l]

Nevertheless, landholders were not satisfied with limiting their political pressure to modifying or delaying Sarney's agrarian reform, or influencing the appointment of the reform's administrators. They also took direct action to defeat agrarian reform in the Constituent Assembly.

Landholders' interests were represented in the Constituent Assembly by existing institutions, such as the CNA (National Confederation of Agriculture) and the state Federations of Agriculture designed by the corporatist state, and a traditional "parallel" association, the Brazilian Rural Society. However, many landholders felt that these associations were better equipped to handle backroom negotiations with government officials for private interests than participate in open and democratic debate on agrarian reform underway in the Constituent Assembly. Thus a new organization was formed in 1985 (and officially registered in 1986): the UDR (Union of Rural Democracy).[li]

The UDR succeeded in its principal aim: to defeat agrarian reform legislation. The 1988 Constitution protects from expropriation any productive property, thereby leaving available for expropriation only infertile lands unsuitable for agricultural production.

In some respects the UDR pursues its goals through the democratic process. It elects representatives and candidates to public office, lobbies the government, shapes public opinion against the agrarian reform, and provides information to its members on agrarian issues. The UDR also promotes a "pragmatic" agricultural policy that includes increasing the availability of technology to farmers and improving the profitability of agricultural production.

However, its tactics are widely criticized. The UDR promotes particular candidates, often using "smear" campaigns against competitors.[lii] Its aggressive lobbying strategy in the Constituent Assembly led the president of the Brazilian Bar Association to label it "dangerously golpista."[liii] The UDR twice blockaded the streets of Brasília with trucks and tractors to protest the agrarian reform proposal. It also organized young supporters (widely referred to as the "agroboys") to demonstrate in the halls of the Constituent Assembly.[liv] These demonstrations often led to violent clashes with representatives of rural workers.

Violence has not been limited to the legislative hall, however. During the Constituent Assembly's debate on the agrarian reform, the Brazilian Bar Association referred to the escalating number of assassinations in the countryside as "a virtual civil war." One UDR leader confirmed suspicions that the UDR bought and distributed the weapons used to assassinate rural organizers and their supporters attempting to implement the land reform.[lv] However, despite this open admission and the fact that landholders associated with rural violence belong to UDR, official investigations have failed to produce the evidence to implicate the organization in these crimes.

There is little question that the UDR has been politically powerful, popular among landholders, and effective in its efforts. However, it is not clear that the UDR can provide a democratic alternative to violence as a means of defending landholders' interests.

Rural Violence

Landholders are not solely responsible for the escalation of rural violence; the government itself must also be held accountable for its failure to protect against the violations of human and civil rights in the countryside.

The Brazilian government accepts the claims made by Amnesty International, the Brazilian Bar Association, and the Ministry of Agrarian Reform and Development that a large number of killings over the past five years were commissioned by members of the politically powerful landed elite and that state authorities (i.e., the police and judiciary) often failed to act decisively and independently to investigate and prosecute those cases. Indeed, Amnesty International found

only two cases where hired gunmen were convicted and sentenced and no cases where the landholders ordering the murder were arrested.

The government characterized this failure as the result of administrative problems of poor pay, inadequate training, overwork, and weak local and state authority structures inherited from 21 years of centralized military rule. The Brazilian government also listed individual "shortcomings" in explaining the failure of the police and judiciary to conduct prompt and impartial inquiries into violent crimes against rural workers, indigenous Brazilians, and their advocates. Prejudice against peasants led to police intimidation and human rights abuses, which eroded trust in local authorities and deterred other peasants from reporting violent crimes.[lvi] Police and judges also permitted their personal relationships with landholders and hired gunmen to color their investigation of crimes against peasants.[lvii] Indeed, Amnesty International found that the police rarely interviewed witnesses or interviewed, detained, or arrested suspects in these rural crimes. When they did detain suspects, those suspects were often immediately released without charge, the papers on the case were "mislaid," or the suspect escaped from jail. The judiciary did not address these problems. Instead, it relied solely on the incomplete findings of the police investigation. It neither required the police to further investigate the case nor carried out an independent investigation.

Although the Brazilian government acknowledged that under international law it has a responsibility to protect human rights, it stated that out of deference to the Constitution-based federal structure, and in order to build strong local institutions and thereby restore democracy, it would not intervene directly. Instead, it would endeavor to educate the public and investigate grievances brought to the government's human rights agency.

Amnesty International argues that the government has failed to intervene even in cases where the violations of human rights were within the federal government's jurisdiction.[lviii] It also argues that under the Constitution, the federal government is authorized to intervene when state authorities do not act or where there is danger to social or political order. In the case of escalating rural violence, both justifications for intervention apply. By refusing to use its full powers to ensure that the rule of law is respected in all parts of the union, the Brazilian government has ignored the problem of rural violence and thereby weakened democracy.[lix]

In addition to Amnesty International, several international entities, including the United States government,[lx] the International Commission of Jurists, the ICFTU (International Confederation of Free Trade Unions), and Americas Watch, have pressured the Brazilian government to intervene, investigate, and prosecute human rights violations.[lxi] However, this international pressure has only occasionally proved successful. The most prominent example of successful international pressures concerns the murder of Francisco Alves ("Chico") Mendes on 22 December 1988.

Mendes' murder prompted an outcry against the Brazilian government's complacent and complicitous attitude towards rural violence. Mendes was a rubber tapper in Acre, a national trade union and landless peasant leader, a militant in the Workers' Party (PT), and an internationally renowned environmentalist. In his defense of the rainforest, he led rubber tappers in direct confrontations with ranchers who were burning the forest for pasture. He also convinced international banks to stop loaning money for ranching in the Amazon and to suspend financing to the Brazilian government until it began to protect the environment.[lxii] Soon after he was killed, the Brazilian Ambassador to the United States received petitions with 4,104 signatures demanding a trial for the responsible landholders. The judge in the case also received voluminous correspondence from concerned foreign citizens.

Brazilian authorities aggressively responded to international pressure. The government abandoned its nonintervention stance and used the National Intelligence Service (SNI) and the Federal Police to aid the Acre Police. In addition, the federal government and its Ministry of Foreign Affairs were kept abreast of all developments in the investigation. The police investigated the case and arrested two suspects, Darci Alves Pereira, who fired the fatal shots, and his father, Darly Alves da Silva, the rancher who ordered the assassination. These suspects were brought to trial, the first jury trial in 22 years in Xapuri, found guilty, and sentenced to 19 years in prison each.

TABLE 5

Rural Assassinations in Brazil during the New Republic (1985-1989)

Year	Victims	Increase
1985	125	
1986	105	- 19%
1987	109	4%
1988	93	- 15%
1989	56	- 40%

Source: Comissão Pastoral de Terra in *Rural Violence in Brazil: An Americas Watch Report* (NY: Human Rights Watch, February 1991), 29.

As Table 5 illustrates, rural murders fell dramatically after the Mendes case. While salutary, there are two conflicting explanations for this development. On one hand, international and domestic pressure—as in the Mendes murder—may generate more consistent investigations and prosecutions which could greatly deter violence in the Brazilian countryside. Alternatively, when

landholders are guaranteed their right to private property—as in the 1988 Constitution—they will refrain from engaging in violence against rural organizers.

In short, a significant group of landholders felt threatened by agrarian reform efforts. They offset those threats by using violence against peasants, environmentalists, rural workers, and the supporters of all these groups. They also engaged in political efforts to defeat agrarian reform legislation. Their efforts were often successful. While they have not eliminated rural social movements, they have remained generally immune from prosecution for their violence against rural organizers and their supporters. Furthermore, they successfully defeated the agrarian reform legislation in the 1989 Constitution. Thus, landholders are unlikely to deliberately undermine the democratic transition since they have retained both influence and protection throughout that political process. However, their tolerance for democracy is sustained at an extremely high cost to that political system.

In analyzing the economic crisis, changes in labor relations, and threats to private property during the New Republic, I have shown that business elites faced many of the same threats they encountered in the pre-1964 coup period. However, in contrast to their responses during that period, they protected themselves on an individual basis from the government's unfavorable policies and programs and collectively influenced governmental decisions. In other words, the democratic transition provided business elites with sufficient individual and collective political power to render the overthrow of that system unnecessary. I discuss their political power in greater detail below.

Business Elites' Political Power and Preferences

Consistent with analyses of the political power of business elites in other countries, Brazilian business elites possess a "privileged position" in government which guarantees them a disproportionate influence over political outcomes.[lxiii] This position is derived in part from their significant position in the economy. Capitalist governments often avoid policies that might lead business elites to reduce the services (e.g., jobs and goods) and revenues (e.g., taxes) they provide to the nation. For example, the New Republic government modified its economic policies in response to threats of massive business collapse, excessive rates of unemployment, and reduced national revenues, production, and services.

Business elites also derive their privileged position and undue influence over policies from their extensive political resources: financial, organizational, and social. Their financial resources are generated from their personal wealth, firm profits, and business organization budgets. The staff, expertise, technology, and materials provided by business associations

comprise their organizational resources. And they derive their social resources—contacts and connections with government officials—from travelling in the same social circles, attending the same schools, parties, or social clubs, and trading occupations, i.e., business elites often pursue political careers, and public officials often retire to jobs in the private sector. In Brazil, urban and rural business elites used their financial and organizational resources to elect sympathetic government officials, shape popular opinion, and lobby for their demands. Their social status granted them more influence than other social sectors over key appointments in the Ministries of Finance and Agriculture and Development.

Despite these sources of influence, business elites did not achieve all of their demands. One key obstacle was diversity. Firms vary in size, location, vulnerability to economic fluctuations, and access to credit, subsidies, and incentives. As a result, policies do not affect all businesses in the same way, causing leaders of those businesses to view government policies differently. In addition, the different ages, personalities, backgrounds, experiences, and ideologies of business elites create diverse interests and opinions within the business community. Without agreement on policies or issues, business elites cannot tap the collective financial, organizational, and social resources within the business community. Thus, when business elites disagreed on policies, or when individuals found the means to protect their firms from unfavorable policies on their own, the business community failed to win its demands (e.g., on the unrestricted right to strike, reduced work hours, and shopfloor committees). On the other hand, business elites universally feared limitations imposed on their ability to hire and fire at will by the job security measure, and landholders generally feared expropriation of land. Such unanimity allowed them to unite their resources to defeat those measures. In other words, business elites' use of collective action to influence policy outcomes is greatest when there is universal perception of a threat coupled with the absence of individual means for reducing that threat.

Due to the diversity within their community, business elites are most effective at vetoing specific policies rather than constructing alternatives. While they may agree that a specific policy threatens them, the diversity within the business community is likely to prevent them from agreeing on an alternative. Thus business elites rely on other social sectors (e.g., politicians) to develop and implement those alternatives. For example, business elites proved capable of defeating the job security measure, but they could not agree on any alternatives to it. A conservative block in the Constituent Assembly, the Centrão, defeated the job security measure by proposing an alternative program (i.e., indemnity). Business elites probably would not have been able to endorse this alternative, since it had little support within the business community.

Business elites' political power is also limited by poor leadership. Although business associations could provide that leadership, their strength depends on their ability to defend the broad interests of the business community and bring tangible benefits to individual firms.[lxiv] For

example, the UDR accomplished its chief goal by defeating the agrarian reform issue. It is unclear whether UDR will permanently withdraw from politics now that it has achieved its goal, or temporarily withdraw until threats of agrarian reform resurface. In all likelihood it will disappear along with the hope for agrarian reform.

FIESP has faced more serious internal dissension than UDR, which weakens its leadership potential. Its members criticize its acquiescence and accommodation, as well as its failure to adopt a modern and democratic strategy to defend industrialists' interests. For example, one of FIESP's members stated, "FIESP has extraordinary force, but doesn't know how to use it."[lxv] Another stated that "FIESP is completely tied to the state," and therefore incapable of adequately defending business interests.[lxvi] While some attribute this strategy to deeply ingrained corporatist patterns of behavior, others accuse FIESP directors of acquiescing in order to win personal favors from the government and ignoring their obligation to represent the interests of the business community.

FIESP's members have also criticized it for representing only certain types of firms, although the critics disagree as to which ones. While some believe that FIESP represents only small conservative traditional firms,[lxvii] others claim that it represents only large domestic or foreign industrial monopolies. My analysis of FIESP's directorate and base of support suggests that FIESP appeals most to conservative industrialists from large firms, regardless of nationality.[lxviii]

Business elites' frustration with FIESP's strategy and failure to provide tangible benefits led them to form competitive and specialized trade associations.[lxix] These associations eroded some of FIESP's power in the business community, without supplanting its monopoly of representation. Thus business associations fragmented, rather than united, during the New Republic.

Business elites' political power has a definite bearing on their political attitudes. First, given the diversity within the business community, one cannot describe business elites as inherently democratic or authoritarian. I found three broad groups within the business community: a minority that strongly defends democratic rules and procedures; another small group that strongly endorses authoritarian rule; and the majority which is indifferent to political systems.[lxx]

Second, business elites are capable of mobilizing to limit social democracy. For example, by defeating the agrarian reform measure, landholders prevented the distribution of land and political resources to peasants. Similarly, by defeating the job security measure, business elites retained the right to fire labor leaders who mobilize workers to defend their rights. As long as they are able to restrict democracy by acting collectively within the system they will not perceive the transitional government as having gone "too far," thus safeguarding the democratic transition.

This appears to confirm O'Donnell and Schmitter's assumption that business elites will only accept a restricted democracy. However, even if business elites fail to restrict democracy, the

inherent limitations on their political power will usually prevent them from successfully toppling the democratic government, as O'Donnell and Schmitter predict. The consensus necessary for toppling a democratic government depends on four principal factors. First, a crisis severe enough to threaten nearly all business elites and a lack of individual and collective protection from that crisis. Second, strong leadership emerging within the business community to mobilize the members against the government. Third, governmental failure to protect the nation from business's threats to reduce employment, investment, and production. Fourth, other social actors joining business elites in their "veto" of the democratic government and installation of an authoritarian alternative. (Business elites on their own might agree to undermine the government, without agreeing on an alternative.) While the presence of each of these conditions underlies the success of the 1964 coup,[lxxi] they are unlikely to recur in light of the current domestic and international political climate.

In sum, Brazilian business elites adapted to the New Republic government even though it often threatened their interests. They tolerated this unsatisfactory situation because they could circumvent the economic crisis, modify the government's economic policies, retain control over organized labor, and eliminate threats to private property. Their success in these endeavors depended on effective individual and collective action. Their success also depended on the responsiveness of the government to business needs. The Sarney government was responsive to business elites' demands because it both feared political reprisals from business and depended on their supply of goods, jobs, and revenues.

THE COLLOR DE MELO GOVERNMENT AND THREATS TO BUSINESS ELITES

The Collor de Melo government elected in 1989 initially proved less responsive to business elites' needs than its predecessors. This surprised elites, since most had supported Collor in the elections. However, the elites' initial distrust of business-state relations during this period never led them to mount an opposition to democracy. And, as Collor modified his positions over time, these tensions diminished. In this section, I will analyze the threats to business elites from the economy, labor relations, and agrarian reform, as well as their political power, during the early years of the Collor administration.

The threats business elites faced during the New Republic did not dissipate with the Collor de Melo government. However, business elites utilized both the individual and collective means developed during the New Republic period to influence and offset negative government policies.

Economic Crisis

Industrialists perceive a loss of influence during the Collor government. This was partially apparent in his appointment of Zélia Cardoso de Melo, a former member of the Communist Party, to the Finance Ministry. Collor ignored both business elites' alternative recommendations for, and protests against, the Cardoso appointment.

Another example of business elites' lack of influence over Collor was the Collor Plan, an economic program designed without business input and announced shortly after he took office in March 1990. On one hand, the plan included provisions endorsed by industrialists: privatization of state enterprises, reduction of government expenditures, and control over inflation. However, it threatened businesses by freezing savings accounts over $1,000, partially closing the "overnight," cracking down on capital flight, reducing import barriers, freezing prices, and increasing taxes. Moreover, Collor announced—and imposed—prison sentences for individuals who violated the program. Collor further alienated business elites by casting aspersions on them and blaming them for the economic crisis.[lxxii]

At first business elites protested the government's plan, but they also appeared willing to allow it time to succeed in reducing inflation and stabilizing the economy. By most accounts, it has failed. Collor reduced government expenditures by eliminating jobs but has not successfully privatized state enterprises or reduced inflation. Prices rose 1,795 percent in 1990, outpacing 1989's 1,765 percent increase. The plan has stimulated rather than halted the ongoing recession in Brazil.

However, while the economy continues to deteriorate, business elites have retained some, albeit limited, influence and protections. For example, judgements against members of the business community under Collor's plan have been overturned in courts of law. Businesses have laid off workers. In addition, when Collor dismissed his finance minister (after her romantic involvement with the married justice minister), he replaced her with Minister Marcílio Moreira, a conservative more in line with private sector interests.

Capital-Labor Relations

Capital-labor relations are unlikely to threaten business elites during the Collor administration for four reasons. First, the economy continues to weaken the labor movement in Brazil. Second, Collor's Ministry of Labor has been placed in conservative hands. Collor first appointed A. Rogério Magri, the conservative trade union leader of the "sindicato de resultados" strain, to that position. Although Collor later dismissed Magri due to his involvement in a bribery

scandal, he replaced him with another conservative minister. Third, since constitutional revisions will begin in 1993, employers may be able to repeal measures that were passed in the 1988 Constituent Assembly (e.g., the unrestricted right to strike, the reduced work hours, and shopfloor representation). Fourth, the severity of the crisis has led business and labor to unite in protest against the Collor Plan. Indeed, rather than increasing the capital-labor tensions, the Collor government is likely—albeit unintentionally—to reduce them. While this may keep business elites from mounting an opposition to democracy, it also represents the continued failure of social and economic distribution programs in Brazil.

The Expropriation of Private Property

Collor campaigned on a platform for "constitutional reform," which included the elimination of the ban on expropriating productive land, giving way to a viable agrarian reform. However, landholders have little to fear from Collor's pronouncements, since he appointed—and retained despite numerous ministerial shuffles—as minister of agriculture Antônio Cabrera Filho, a wealthy cattle farmer from São Paulo and active member of the UDR.[lxxiii]

Collor has also twice reversed his positions regarding the environment. During his campaign, Collor was allied with Amazonino Mendes, Governor of Amazonas, who once offered to distribute free chainsaws to clear the rainforest. However, once elected he appointed José Lutzemberger, an internationally renowned environmentalist, to head a conservation agency called IBAMA (Brazilian Institute for the Environment and Natural Renewable Resources). In direct contrast to ranchers' and developers' interests, Lutzemberger has publicly opposed the construction of roads into the Amazon and clear-cutting of forests. Collor also ordered the destruction of landing strips in the Amazon used by ranchers and miners invading indigenous lands, and announced the demarcation of lands for exclusive use by indigenous groups. Despite these bold initial moves, Collor subsequently dismissed Lutzemberger because of his outspoken criticism of the Collor government, and indigenous lands have yet to be distributed.

Business Elites' Political Power

On one hand, under Collor, business elites have lost some of their influence. Initially Collor proved unwilling to negotiate with them, openly attacked them, appointed cabinet members whom they vehemently oppose, and adopted policies inimical to their interests. On the other hand, Collor has modified both his initial attitudes towards business and his policies. Moreover, evidence suggests that business elites have begun to break out of the corporatist mold, strengthening their organizations and increasing their autonomy from the government.

Mario Amato's re-election to the FIESP presidency in 1989 was disputed by forces within FIESP which accuse the organization of failing to allow democratic participation in decisions. Amato has responded to these protests by announcing a reorganization within FIESP's Board of Directors. He claims that the appointment of these directors will now be based on their business expertise, rather than personal loyalty and friendship. Although it is too early to judge the impact this change will have on FIESP's political activities, it may lead to more effective leadership in the business community.

CONCLUSION

The evidence presented in this paper supports a new interpretation of business-state relations in the emerging Latin American democracies. As in the earlier experiment with democratic rule, business elites faced economic decline, labor mobilization, and expropriation of private property. However, in contrast to that earlier period, they are unlikely to endorse an authoritarian reversal. That is, as long as certain conditions present during the transition period prevail throughout the consolidation phase. The Brazilian case reveals two sets of conditions that have mitigated against business elites' involvement in an authoritarian reversal.

First, authoritarianism no longer represents a model for resolving national problems. It has been discredited both domestically and internationally. The military regime's mismanagement of the economy, reliance on arbitrary repression to guarantee social order, encroachment on the private sector by expanding state enterprises, and exclusion of business influence in government decisions, led business elites who had formerly endorsed—or at least passively accepted—the military regime to question the regime's capacity to govern effectively and defend business interests. In addition, foreign governments and international organizations attached moral stigmas and tangible costs to authoritarian rule, leading nations around the world to begin democratic transitions. The authoritarian model of government lost its appeal for business elites and their allied sectors. In short, as long as business elites and their allies perceive that the domestic and international costs of authoritarian rule exceed its benefits, they are unlikely to endorse it.

Second, business elites can adapt to, and even benefit from, emerging democratic rule. The Brazilian case suggests that liberalization can provide business elites with more opportunities to influence government policies than they enjoyed under authoritarian rule. In addition, their experience under the emerging democracy may reduce their fears of economic decline, labor radicalization, and the expropriation of private property. Their perception of threats also changes with international trends, such as the end of the Cold War. Moreover, their own success at individual and collective efforts to mitigate potential threats reduces their fears. Their fears are further reduced when they realize that democratic rule will not necessarily undermine business

interests. In other words, when business elites perceive that their intrinsic interests are protected and they have some influence over the policies that affect them, they are likely to accept the prevailing political system. Rather than mobilize to overthrow that system, they attempt to restrict its policies. When united, business elites have effectively limited redistribution programs and social protections for marginalized groups. For the newly emerging democratic governments to overcome the obstacles business elites pose to social democracy, it is incumbent upon them to exploit the fragmentation within the business community. They should negotiate agreements with the progressive sectors of the business community, thereby undermining the formation of a united business front. Without unity, business elites will prove less successful in their efforts at limiting the rights and protections of marginalized sectors.

ENDNOTES

[i] Larry Diamond and Juan J. Linz, "Introduction: Politics, Society, and Democracy in Latin America," in *Democracy in Developing Countries: Latin America,* Larry Diamond, Juan J. Linz, and Seymour Martin Lipset, ed. (Boulder, CO: Lynne Rienner Publishers, 1989), 1-58.

[ii] Guillermo O'Donnell and Philippe Schmitter, *Transitions from Authoritarian Rule: Tentative Conclusions about Uncertain Democracies* (Baltimore, MD: The University of Johns Hopkins Press, 1986), 27.

[iii] Leigh Ann Payne, "Pragmatic Actors: The Political Attitudes and Behavior of Brazilian Industrial Elites" (Ph.D. diss., Yale University, 1990), 69-117.

[iv] See discussion on the threats of political uncertainty and the left in Payne, "Pragmatic Actors."

[v] Aldo Lorenzetti quoted in "FIESP decide ampliar apoio a Sarney e intensificar 'lobby' no Congresso," *Folha de São Paulo*, 15 October 1987, 30.

[vi] For example, the government promised not to freeze prices and wages before the Summer Plan. However, when the Summer Plan was implemented, it included price and wage freezes.

[vii] Walter Sacca, Director of the Economic Department of FIESP, quoted in "Empresarios acham que Cruzado II ja está demorando," *Estado de São Paulo/Jornal da Tarde*, 20 November 1986, 13.

[viii] "Indústria critica 'instabilidade' da política econômica," *Folha de São Paulo*, 30 December 1986, 25.

[ix] "Empresários pedem regras mais claras," *Folha de São Paulo*, 9 July 1987, 23.

[x] Walter Sacca, Director of the Economic Department of FIESP, quoted in "Empresarios acham que Cruzado II ja está demorando," 13.

[xi] Thomas E. Skidmore, *The Politics of Military Rule in Brazil, 1964-85* (New York: Oxford University Press, 1988), 305.

[xii] For example, while these economic policies often froze wages after they had been averaged over a previous period, prices were never averaged. They were simply frozen at their current rate or, at times, allowed to increase before they were frozen. Leigh A. Payne, "Working-Class Strategies in the Transition to Democracy in Brazil," *Comparative Politics* (January 1991): 221-38.

[xiii] Peter Flynn, "Brazil: The Politics of the Cruzado Plan," *Third World Quarterly* 8 (October 1986): 176-77.

[xiv] William C. Smith, "Heterodox Shocks and the Political Economy of Democratic Transition in Argentina and Brazil," paper presented at the XIV International Congress of the Latin American Studies Association, New Orleans, 17-19 March 1988, 14. See also Skidmore, *Politics of Military Rule in Brazil*, 281.

[xv] These shortages were primarily in meat, dairy, and soybean products.

[xvi] Sarney responded by calling businessmen "anarchists." See "Sarney acusa empresários de pegar anarquia," *Folha de São Paulo*, 10 January 1987, 17; and "Empresários ameaçam desobedecer governo," *Folha de São Paulo,* 22 August 1987, 17.

[xvii] Matias Machline quoted in "Machline defende fortalecimento do mercado interno," *Folha de São Paulo*, 6 August 1987, 25.

[xviii] Interview with a director of a medium-size metalworking company, number 53, 8 October 1987.

[xix] The remaining 1 percent stated that they paid above the minimum wage but did not know exactly how much. In addition, 18 percent did now know how much they paid their employees.

[xx] "Empresários fazem acordo em vários estados," *Folha de São Paulo,* 14 August 1987, 26; and "Empresas ignoram o Plano Bresser e antecipam residuo," *Folha de São Paulo,* 4 October 1987, 46.

[xxi] "FIESP sugere abono para assalariados," *Folha de São Paulo,* 18 June 1987, 25; and "FIESP preve uma redução no rendimento do assalariado," *Folha de São Paulo*, 19 June 1987, 19.

[xxii] "Empresários admitem apoiar a paralisação," *Folha de São Paulo*, 28 July 1987, 21.

[xxiii] Feres Abujamra quoted in "FIESP decide ampliar apoio a Sarney e intensificar 'lobby' no Congresso."

[xxiv] Industrialists from foreign firms were less fearful than those from Brazilian firms. While 52 percent of the industrialists from Brazilian firms felt threatened by the New Republic, only 25 percent of the industrialists from United States firms and 39 percent from other multinational companies felt threatened. In addition, industrialists from firms with at least some export production were less threatened than those without export production: only 40 percent of the industrialists from exporting firms felt threatened compared to 60 percent of those from firms without export production.

[xxv] Clovis Rossi, "98% dos empresários não confiam no governo Sarney," *Folha de São Paulo*, 9 February 1988, 5.

[xxvi] DIEESE underestimated the number of strikes (often by as much as 30 percent) when it lacked information on the number of workers who participated in those strikes.

[xxvii] Of the industrialists I interviewed, 76 percent of the industrialists from traditional firms (i.e., those involved in wood, paper, leather, furs, textile, clothing, food, beverage, glass, and ceramic manufacturing) favored centralized negotiations through business associations, compared to 56 percent from nontraditional firms. In addition, 67 percent of those who had memberships in prominent business associations—particularly FIESP—favored negotiations via these associations, compared to 52 percent of those with memberships in less important organizations. Lastly, 75 percent of the industrialists from firms founded before 1930 supported centralized negotiations, compared to 55 percent of those founded after 1930.

[xxviii] Interview with a director of a very large multinational corporation, number 10, 27 July 1987.

[xxix] Interview with an executive of a very large metalworking company, number 45, 11 October 1987.

[xxx] Interview with a director of a medium-size Brazilian company, number 46, 1 October 1987.

[xxxi] Interview with a director of a medium-size company, number 40, 24 September 1987.

[xxxii] Comment made in a meeting I attended of owners of small businesses on 12 May 1988.

[xxxiii] Interview with a director of a large multinational metalworking company, number 3, 15 July 1987.

[xxxiv] Interview with a director of a small company, number 123, 16 May 1988.

[xxxv] Albano Franco, head of the CNI, stated that the 44-hour week might cause difficulties, but "in truth, firms are not going to close because of these changes" ("Empresarios pressionarão PMDB para fixar indenização para demitidos," *Folha de São Paulo*, 4 November 1987, 8). In addition, the most "progressive" members of the business community announced that they could accept the 44-hour week, but not the job security measures.

[xxxvi] Indemnity was already part of Brazilian law and had not provided any protection for workers, although its supporters suggested that by increasing the amount four times, the new indemnity would do so. Skidmore, *Politics of Military Rule in Brazil, 1964-85* , 291-92.

[xxxvii] These industrialists all shared the following characteristics: 1) Brazilian nationality, 2) born in capital cities, 3) college educated, 4) religious, 5) some experience abroad, 6) became industrialists after the 1964 coup, and 7) defined themselves as right wing (although not extreme right). They also feared the New Republic and viewed labor as extreme left, but they did not fear labor during the New Republic.

[xxxviii] "Luís Eulálio critica os partidos," *Jornal do Brasil*, 26 January 1985, 18.

[xxxix] Interview with a director of a very large Brazilian metalworking firm, number 86, 20 November 1987.

[xl] In addition, 23 percent placed the more conservative labor federation, CGT, on the extreme left. Nationality of the firm was a significant variable in analyzing industrialists' views of these labor federations and PT, with industrialists from Brazilian firms more likely to place the labor federations and PT on the extreme left. Payne, "Pragmatic Actors," 251-53.

[xli] Interview with a director of a small metalworking company, number 43, 29 September 1987. This view was also expressed in an interview with a president of a very large multinational corporation, number 81, 16 November 1987.

[xlii] Some executives distrusted Medeiros' intentions. They felt that he had not rejected his past membership to the Brazilian Communist Party (PCB), would use a pragmatic appeal to win power, and then radicalize the labor movement.

[xliii] Of the industrialists who considered Medeiros to be on the extreme left, none were from the metalworking sector (Medeiros's sector). A significantly large percentage of these industrialists were from United States firms: 38 percent of the industrialists from United States firms compared with 4 percent from Brazilian and 2 percent from other multinational firms considered Medeiros to be on the extreme left.

[xliv] See Luís Eulálio de Bueno Vidigal Filho, "Contribuição para a futura constituição brasileira," 1985, 33-34; and Confederação Nacional da Indústria, "Proposições iniciais do empresariado industrial à Assembléia Constituinte," March 1987, 60.

[xlv] *Brazil: Authorized Violence in Rural Areas* (London: Amnesty International Publications, September 1988).

[xlvi] These demands primarily came from: the National Conference of Brazilian Bishops (CNBB), the Pastoral Land Commission (CPT), the Movimento de Trabalhadores Rurais Sem Terra (Movement of Landless Rural Workers), the rural labor federation, CONTAG, national labor organizations, and individual rural trade unions.

[xlvii] The targets and accomplishments reported by government and nongovernment sources are often conflicting. The figures I have provided here are those that are most consistently reported. However, I regard them with a great amount of skepticism and use them only as indicators rather than facts.

[xlviii] The government lacked the time and the resources to overcome the problems of: 1) measuring the productivity of different tracts of land to determine whether they could be legally expropriated; 2) evaluating the land's worth; 3) supplying services to new landowners (e.g., credit, transportation, technology, and storage facilities); and 4) developing a government budget for

agrarian reform. Moreover, the government faced the problem of establishing land rights in a country where plots of land have overlapping, conflicting, and multiple titles. Another problem the Sarney government faced was a high turnover rate in the Ministry of Agrarian Reform and Development. In four years, Sarney had four different ministers of agrarian reform and development: Nelson Ribeiro, Dante de Oliveira, Marcos de Barros Freire, and Jader Barbalho.

[xlix] "O recuo no campo," *Veja*, 28 May 1986, 20.

[l] The first director of INCRA, José Gomes da Silva, resigned in opposition to the emasculation of the reform. He was replaced by Pedro Dantas, who was allegedly supported by the National Security Council. Dantas, in an effort to appease landholders, increased the level of compensation for land expropriated from private landholders from 2 billion to 8-14 billion cruzados. See "O recuo no campo." At about the same time, Sarney fired minister of agriculture and development Nelson Ribeiro, due to pressure from landholders, the military, and the conservative members of Sarney's cabinet, who viewed Ribeiro as too closely allied with the progressive church and rural trade unions. Sarney's third minister, Marcos de Barros Freire, was killed in an airplane crash along with INCRA president José Eduardo Raduan in September 1987. Allegations of sabotage were never confirmed.

[li] For more information on the UDR, see Leigh A. Payne, "The Traditional Right in New Democracies: The Landed Elite in Brazil," paper presented at the XVI International Congress of the Latin American Studies Association, Washington, DC, 4-6 April 1991.

[lii] "UDR discute estratégia nacional para eleger prefeitos e vereadores em 88," *Folha de São Paulo*, 24 November 1987, 6.

[liii] Marcio Thomaz Bastos in "OAB denuncia 'golpismo a direita,'" *Folha de São Paulo*, 11 November 1987, 9.

[liv] These youths are typically young landowners or children of landowners. On one occasion they followed Sandra Cavalcanti, a conservative member of the Constituent Assembly, calling after her "Communist, Communist," because she had voted in favor of the Agrarian Reform.

[lv] Salvador Farina, leader of the UDR in Goiás, quoted in Susanna Hecht and Alexander Cockburn, *The Fate of the Forest* (London: Verso, 1989), 161.

[lvi] Police officers told Amnesty International investigators that one could not believe anything peasants said and that the police should not have to investigate peasants' complaints of harassment and death threats. Amnesty International also found evidence that peasants were illegally detained, beaten, and threatened with execution by the police.

[lvii] Amnesty International reported that hired gunmen and police jointly carried out raids on peasants, hired gunmen were often seen in police uniforms and frequented police headquarters, and police were reported to have delivered death threats from landholders.

[lviii] Amnesty International cites two examples: the murders of miners on the Tocantins bridge and violent conflicts on indigenous lands.

[lix] Under the Brazilian civil code, landholders have a right to defend their land by force but only if the right of possession is under immediate attack. On occasion, landowners have also been the victims of rural violence. However, Amnesty International found that between January 1985 and June 1987, 23 landowners and 90 of their employees died (40 percent due to conflicts between the landowners and their employees), compared to 485 peasants, rural workers, indigenous Brazilians, and their supporters. (Note that Amnesty International's figures are somewhat higher than those cited by the Comissão Pastoral de Terra. See Table 5.)

[lx] United States Government, *Country Reports on Human Rights Practices for 1986.*

[lxi] Human Rights Watch, *Rural Violence in Brazil: An Americas Watch Report* (NY: Human Rights Watch, February 1991).

[lxii] The UDR was accused of murdering Chico Mendes because it was threatened by the rubber tappers' successful organizing efforts. Indeed, just before Mendes' murder, Sarney signed two agreements granting the land reserves for which rubber tappers had mobilized. However, the UDR has denied the accusations. Although the murderers are members of the UDR, the organization's regional president, João Branco, denounced them. Nonetheless, national UDR

president Ronaldo Caiado has railed against the "imperialist" pressures from correspondents of the BBC and the London *Guardian* in their coverage of the Chico Mendes murder.

[lxiii] For a discussion of these resources, see: Fred Block, "The Ruling Class Does Not Rule: Notes on the Marxist Theory of the State," in *The Political Economy: Readings in the Politics and Economics of American Public Policy*, ed. Thomas Ferguson and Joel Rogers (Armonk, NY: M.E. Sharpe, Inc., 1984), 36-37; Charles E. Lindblom, *Politics and Markets: The World's Political-Economic Systems* (New York: Basic Books, Inc., 1977), 171-78; Ralph Miliband, *The State in Capitalist Society* (New York: Basic Books, Inc., 1969), 146; Theda Skocpol, "Political Responses to Capitalist Crisis: Neo-Marxist Theories of the State and the Case of the New Deal," *Politics and Society* 10, no. 2 (1980): 160; and David Vogel, "The Power of Business in America: A Re-Appraisal," *British Journal of Political Science* 13: 29-42.

[lxiv] Víctor Pérez Días, "Governability and the Scale of Governance: Mesogovernments in Spain," Instituto Juan March de Estudios e Investigaciones, Centro de Estudios Avanzados en Ciencias Sociales, Working Paper 1990/6 (June 1990).

[lxv] Interview with a president of a very large metalworking company, number 77, 12 November 1987.

[lxvi] Interview with a director of a small Brazilian company, number 26, 10 September 1987.

[lxvii] Interview with a director of a very large Brazilian company, number 90, 23 November 1987. One industrialist accused the owners of these firms of behaving as though it were 1910. Interview with a president of a very large Brazilian firm, number 37, 23 September 1987.

[lxviii] Of the 67 directors in the 1986-1989 FIESP directorate: 18 percent were from small businesses (under 500 employees), 28 percent were from medium firms (500-1,999 employees), and 33 percent were from large firms (over 2,000 employees). As far as I could discern, not one of the directors came from a firm with under 10 employees. However, since I could not trace the size of the firms of 20 percent of these directors, my finding that FIESP primarily represented large firms may be incorrect. Moreover, the industrialists who considered FIESP an important instrument for defending their interests tended to identify with the right wing in the country and possessed some foreign capital. Payne, "Pragmatic Actors," 230.

[lxix] An organization that attempted to compete with FIESP was the National Grassroots Business Association (Pensamento Nacional de Bases Empresariais—PNBE) which primarily represented small- and medium-sized industries in São Paulo but also included owners of industries of all sizes and from different areas of São Paulo, Rio Grande do Sul, and Rio de Janeiro. Small business associations and trade associations also increased their autonomous activities during this period.

[lxx] Payne, "Pragmatic Actors," 205-65.

[lxxi] Payne, "Pragmatic Actors," 69-118.

[lxxii] At one point he called business elites who raised prices the "exploiters of chaos." Jorge Caldeira, "Fascínio e susto," *Istoé-Senhor*, 21 February 1990, 24-27.

[lxxiii] Collor first appointed Marcelo Paiva Abreu who quit reportedly due to disagreements with the minister of finance. Collor replaced him with Joaquim Roriz who resigned two weeks after being sworn into office, allegedly to run for governor of Brasília. Political analysts suggest that he resigned when farmers' reacted negatively to Collor's economic package, which included an end to farm subsidies and taxes on agricultural incomes. Cabrera was the third appointment and, at twenty-nine years old, is probably the youngest minister in the Republic's history.