Grassroots mobilization, co-production of public policy and the promotion of participatory democracy by the Brazilian Solidarity Economy movement

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Submitted in Partial Fulfillment of the Requirements for the Degree of Doctor of Philosophy in the Department of Sociology at Brown University

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May 2011

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This dissertation by Ana Margarida Esteves is accepted in its present form by the Department of Sociology as satisfying the dissertation requirement for the degree of Doctor of Philosophy

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ACKNOWLEDGEMENTS

This dissertation is an expression of gratitude to a succession of people and events that entered my life to make it less stable, less predictable, but infinitely more interesting and rich in experience, wisdom and human warmth. I sincerely hope that I will prove myself worthy of such myriad of blessings in my present and future deeds.

I would like to thank, above all, to Brown University's Sociology Department and, in particular, to my outstanding committee, composed by my Advisor, Professor Paget Henry, as well as by Professors Ann Dill and Gianpaolo Baiocchi. I am infinitely thankful not only for your scholarly support, without which it would have been impossible to complete this dissertation, but also for your patience, empathy, generosity and personal advice throughout the whole process. Be sure that you are highly valued, not only for your scholarly merit, but also for your many human qualities, as well as for the priceless time and wisdom you shared with me. I also want to thank the Portuguese Fulbright Commission and the European Social Fund/Portuguese Foundation for Science and technology for the two very generous Doctoral Fellowships that supported the whole process of researching and writing this dissertation.

This process also incurred me in a debt of gratitude to a myriad of other people and events that serendipitously converged to make it possible. First of all, I want to thank the people and the book that entered my life on that fateful month of September 2001 and conspired to infuse my quarter-life crisis with the inspiration and the courage needed to gear my existence towards a more authentic, giving and

life-affirming path. I want to thank Mariana Tavares from Oporto, Portugal, for introducing me to Leif Wefferling from Lopez Island, WA, who was backpacking around Iberia and looking for a place to sleep in Oporto when a series of events led him to sojourn at her place during his stay in northern Portugal. Meeting Leif, and subsequently his family, neighbors and friends in the Puget Sound gave me the certainty that my aspiration for a more sustainable and humane form of organizing society was more than mere utopianism and nostalgia.

I am deeply thankful for the opportunity of sharing a roof, meals, everyday work, stories and songs with amazing, forward-looking people who are intentionally building community with fellow human beings and other species. They are doing it through permaculture, communal living and sustainable, cooperative production that values cultural heritage, local knowledge and artisanship, while make the best out of the technological advantages brought by the Information Society. Thanks to the Wefferlings and the wonderful people of Lopez Island, I got the empirical, visceral proof I needed that Another World is not only possible, but actually being created in the here-and-now, and that "Think Global, Act Local" is more than a motto turned into a cliché. In its turn, this experience stimulated my curiosity and gave me the courage necessary to venture beyond the realm of activity of my appointment at the European Union Delegation in Brasilia and explore other examples of grassroots-led community development in Brazil.

I also want to thank Neide Tabosa from Brasília, Brazil, for facilitating my access to intentional communities and grassroots social movements in the area, as well as introducing me to the book *The Turning Point*, by Fritjof Capra. This book led me to take a plane from the Brazilian capital to Berkeley, CA, to meet the author and discuss perspectives for future social research on forms of grassroots-led sustainable development that are emerging from within the fissures of the crumbling mainstream paradigm. Fritjof Capra's hospitality and generosity provided the intellectual foundation that turned the experience shared with grassroots activists in Brazil and the US West Coast into research questions that ultimately led me to abandon the dulling certainties of a career as an international civil servant and come to Brown University's Sociology Department.

By debt of gratitude embraces everyone in the Brazilian Solidarity Economy movement without exception. It also extends to Gabriel Grilo, Ana Paula and Vera Podcameni, as well as Inês Taraves, Ana Letícia and Caroline Fauri, who received me as family and provided a home away from home during fieldwork. I am particularly grateful for the amazing human beings who generously granted me their precious time, advice, contacts, documentation and allowed me to take part in the movement's meetings and events. I hope that what I will give back to the movement in the form of this dissertation might help the everyday labor of the more than a hundred of amazing workers that I had the chance to get to know and interview. Thank you, "companheiros"!

It would have not been possible for me to research and write this dissertation if it was not for the remarkable individuals who opened me the doors of

the movement. Among them is Marcos Arruda, who in a fortunate chain of events ended up teaching at Brown in the Fall of 2005. I should also mention, among others in Rio de Janeiro, the whole technical team at PACS, Dayse Valença and the Sisters from Asplande, Adriana Cardoso and Marcos from CEDAC, António Oscar and Sandra Mayrink Veiga from SOLTEC. In Rio Grande do Sul, I counted with the precious help of, among others, Ana Mercedez Icaza, Luís Inácio Gaiger, Nelsa Nespolo from UNISOL, Milton Pantaleão from Guayi, Ademar Bertucci, Sister Lourdes Dill, Marinés and Marcos from "*Cáritas*" and Lúcio Uberdan. In Fortaleza, I was warmly received by Sandra Magalhães and Joaquim from "*Banco Palmas*", Hans Jürgen "Joe the German" Fliege, and many others. Obviously, my debt of gratitude also includes all the program management team of SENAES, starting with Professor Paul Singer, whose help was strategic in helping me understand the theoretical foundations of the Solidarity Economy movement.

I also want to thank for the fun times and support provided by the amazing colleagues I had the chance to meet and befriend while at Brown University, especially Todd Arthur and Sheila Beal Bridges, Sinem Adar, Hakem Rustom, Gayatri Singh, Shruti Majumdar, Leah Greenblum, Anne-Caroline Sieffert, Swetha Regunatham, Oddy Helgadottir, Dyksha Thapa, Angelica Durán-Martinez, Optat Tengia, Christopher Gibson, Myung-Ji Yang, Thandie Hlabana, Grace Cornell, Mike Gonzalez, Illuminada Esther Hernandez-Medina and Jing Song.

Last but not least, I also want to mention the colleagues and mentors within the scientific community who greatly enriched this project with their time and advice. Among them is Jeff Goodwin, Fritjof Capra and Manuel Castells, who provided precious methodological advice. I also received invaluable support from the wonderful team of *Interface: A journal for and about social movements* including, among others, Laurence Cox, Alf Gunvald Nilsen, Sara Motta, Cristina Flesher Fominaya and Peter Waterman. This dissertation is dedicated to all of you, in deepest gratitude.

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In loving memory of:

The victims of the floods in Rio de Janeiro.

My paternal Grandparents, Joaquina Luisa and Joaquim Anastácio,
in the hope that societies will evolve to a stage
in which there will be no more waste of talent
due to poverty and prejudice.

The "companheira" from Rio Grande do Sul who
was brutally murdered by her husband.

INTRODUCTION

The research problem

This dissertation is about the Solidarity Economy movement in Brazil and its attempt to promote the economic and political empowerment of the bottom layers of Brazilian society. The difficulty involved in this transformative goal is the relative absence of carefully developed models of economic growth and political empowerment designed specifically for this stratum of most societies. Available models link empowerment of this lowest stratum to the trickle down effects of strategies that have been developed for either middle or working class economic and political self-determination. Whether liberal or Marxist, the Solidarity Economy movement has broken with these approaches and has promoted a strategy of economic and political empowerment specifically for this lowest stratum. The main theorists of the movement argue that this strategy could become a template for a structural transition from capitalism towards an alternative model of economically, socially and environmentally sustainable development.

Such envisioned model can be summarized as being based on participatory democracy, worker ownership of the means of production, labor-intensive, cost-effective, environmentally sustainable "intermediate technologies" (Schumacher, 1973) and productive and commercial linkages based on practices of solidarity. Thus the key problem for this dissertation will be a close examination of the unique organizational structure of the Brazilian solidarity economy movement, the original model that it has proposed for growing and transforming the economy of what Marx called the "lumpen proletariat" and the French-Brazilian social theorist Michael

Löwy calls the "pooretariat", and to attempt an evaluation of how successful the movement has been so far in achieving the important but difficult goal of promoting the economic and political empowerment of this class.

One of the peculiar features of the Solidarity Economy movement is that it is an organization that comes with a systematically elaborated theory of itself and its actions. It thus presents unique challenges to the sociologist who is studying it, challenges that are not there in the case of studying more traditional forms of collective action. Further, the Solidarity Economy movement is an organization that shares with trade unions, working class political parties, and autonomist revolutionary groups the goal of liberating and uplifting workers from their subordinate position in relation to other classes. Even though it shares this goal with those organizations, its internal structure is very different from theirs. Thus, the Solidarity Economy movement is not a political party, it is not a trade union, and it is not an autonomist revolutionary group like factory-based workers' councils, C.L.R. James' "*Facing Reality*" or Cornelius Castoriadis' "*Socialism or Barbarism*". However, it is a worker-based and worker-oriented movement that was established with the goal in mind of not repeating some of the mistakes of these earlier worker-based organizations but finding new solutions to some of the old problems they struggle against.

With this dissertation, I have goals that encompass both the academic and activist spheres, in hopes of deepening the dialogue between them. On the one hand, I aim to contribute to the scholarly debate on associational and participatory politics by analyzing a social movement that has been developing strategies and

institutional forms that are unique and understudied. This movement combines the institutional support to worker-owned production units with the setting up of participatory public spaces – the Solidarity Economy forums – aimed at promoting collaboration between production units and civil society organizations, as well as the co-production and implementation, in partnership with the state, of public policies for the sector. On the other hand, I also aim to bring insights that might contribute to the institutional strengthening not only of the Solidarity Economy movement in Brazil, but also of other experiences around the world that take it as a reference. Among them is "*Grupo Red de Economía Solidaria del Peru*"[1] (GRESP), "*Red Chilena de Economía Solidaria*"[2] (RCES) and "*Red de Redes de Economia Alternativa y Solidária*"[3] (REAS) in Spain.

The Brazilian Solidarity Economy movement: Origins and development

The roots of the Brazilian Solidarity Economy movement trace back to the economic practices of grassroots movements during the democratic transition of the late 1970's and 1980's. Among them are the agricultural settlements developed by land rights movements, grassroots income generation projects promoted by activist NGOs, the worker takeover of bankrupting enterprises and the establishment of community-based development projects based on microcredit, such as the "*Projetos*

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[1] Translation: Networked Group of Solidarity Economy of Peru (http://www.gresp.org.pe/home.php , last consulted on 03/29/11).
[2] Translation: Chilean Network of Solidarity Economy (http://elchileno.cl/economia/internacional/624-economia-solidaria-redes-para-el-cambio-social.html, last consulted on 03/29/11).
[3] Translation: Network of Networks of Alternative and Solidarity-based Economy (http://www.economiasolidaria.org/red_redes , last consulted on 03/29/11).

Alternativos Comunitários"[4] (PACs), carried out in the framework of the Liberation Theology-inspired Ecclesial Base Communities, and "*Banco Palmas*" in "*Conjunto Palmeiras*", a neighborhood in the city of Fortaleza, Ceará.

The earlier articulations leading to the emergence of the Solidarity Economy forums happened in the early 1990's. They were a response to two major social trends: (1) The stark increase in unemployment and economic informality resulting from structural adjustment programs; (2) The limited capacity of civil society organizations to promote the sustainability of production units within the "pooretarian" economy through forms of technical assistance based on a methodological individualism. The purpose of the forums was twofold. On the one hand, it was to overcome such methodological individualism by promoting economic cooperation between Solidarity Economy production units, as well as technical cooperation between the civil society organizations that provide them with technical assistance. One the other hand, it was to mobilize civil society and organizations and production units for the co-creation with the state of public policies for the sector, as well as for the social control of their implementation.

The early '00's were marked the creation of national-level public policies for the sector, accompanied by the establishment of the Brazilian Forum for Solidarity Economy (FBES) and the multiplication of new state- and local-level forums across the country. Such turning point led to the emergence of new organizations within the labor movement, created with the specific purpose of offering Solidarity Economy production units new methodologies of technical assistance, namely in

[4] Translation: "Alternative Community Projects".

terms of productivity-boosting technologies and strategies of market penetration. These organizations also aimed to provide workers in the sector with a class-based platform of political representation that would connect them with working class struggles.

Research on Solidarity Economy in Brazil: State of the art

Academic and activist circles in Brazil and beyond have been prolific in the production of literature on different aspects of the Brazilian Solidarity Economy movement. One line of research deals with specific cases of technical support to production units by civil society organizations, as well as the setting up of production and commercialization networks and credit systems (i.e. Gaiger, 1994**;** Gaiger *et al,* 1999; Kraychete, Lara & Costa, 2000; Singer, 2002: 122-4; Bertucci & Alves da Silva (org.), 2003; Singer & De Souza (org.), 2003; Pinto, 2006; Singer, 2007Gadotti, 2009). Another line of research deals with public policies (i.e. Leboutte, 2003; Mello, 2006). An emerging line of inquiry deals with the dynamics of the Solidarity Economy forums (i.e. Motta, 2004; Icaza, 2008). Despite their depth of analysis and the valuable insights they bring on the dynamics of the Solidarity Economy movement in Brazil, none of these studies has yet approached it from a relational point of view, analyzing the relationship between economic practices, institutions, forms of state and civil society-based institutional support and the economic and political empowerment of the “pooretariat”.

Rationale for the choice of case study and sampling

I chose the Brazilian Solidarity Economy movement as the case study of this dissertation because, of all the Latin American countries that have public policies aimed at fostering alternatives to capitalist production in the framework of mixed economies and pluralist polities, Brazil is the one in which civil society has had the most active role in their proposing, design and implementation. It is also the only country in which such public policies are part of a social-democratic government strategy. Therefore, it is the one that can provide the most generalizeable insights on the circumstances under which a movement of worker-owned enterprises can promote the empowerment of their members in interaction with a left-of-center government. Given this context, it is also the one that can give the most comprehensive insights into the difficulties faced by workers in achieving economic and political empowerment within such a movement vis-à-vis the state, political parties and the civil society organizations that provide them with institutional support. Given the technical impossibility of making an ethnographic analysis of all the institutions created by the Brazilian Solidarity Economy movement across the country, I chose as a sample the Solidarity Economy forums of Rio de Janeiro, Rio Grande do Sul, the "*Forum Brasileiro de Economia Solidária*"[5] (FBES) and three examples of networks of economic collaboration that succeeded in improving the productivity of the "pooretarian" economy: "*Banco Palmas*", "*Projeto Esperança/Cooesperança*" and "*Justa Trama*".

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[5] Translation: Brazilian Forum of Solidarity Economy (www.fbes.org.br)

FBES is a space for deliberation among representatives of state-level forums, which nowadays exist in the 27 states of the country. Each state sends representatives of worker-owned enterprises, civil society organizations, civil servants working with public policies for the sector and in some cases social movements. Some of the Forums where already functioning by the time FBES was created. Besides, there is no formal rule that obliges the state-level Forums to comply with decisions that are made during meetings of the National Coordination of FBES. In their turn, the state-level Forums are a space for deliberation among representatives of regional and municipal-level Forums.

I chose Rio de Janeiro and Rio Grande do Sul as samples for the study of the Solidarity Economy forums because these were the first states in which such structures were created. Besides, there is a stark contrast between the processes of creation of the Solidarity Economy forums in the two states, which allows for a comparative analysis of the role of state/civil society relations in the development of the institutional structures of the movement. In Rio de Janeiro, the process began in the mid '90's without public support and the creation of the state-level forum, which was gradually decentralized with the creation of local- and municipal-level forums in the '00's. In Rio Grande do Sul, the creation of local- and municipal-level forums happened at the same time as the creation of the earlier policy programs for the sector by Workers' Party (PT)-led administrations. It also preceded that of the creation of the state-level forum, which happened only in 2006.

"*Justa Trama*" is a trans-local supply chain-based network of economic collaboration that connects rural and urban production units. The study of this

project provides insights on the role of productive specialization, economies of scale and rural/urban linkages in the promotion of the productivity of Solidarity Economy-based production units. “*Banco Palmas*” and “*Esperança/Cooesperança*” are examples of what Melnyk (1985) calls local-level “cooperative communities” integrating microcredit, technical support to production and commercialization and participatory management through local-level public spaces. A major difference between “*Banco Palmas*” and “*Esperança/Cooesperança*” is that, while the former uses participatory but scientifically-based economic planning in project management, the later uses the participatory public space mainly as a vehicle for popular education, political mobilization and organization of commercialization events. The comparative analysis of these two cases provides insights on the role of scientifically based planning in the promotion of growth and development in the “pooretarian economy”.

Contributions to theory

Given the unique features of the Brazilian Solidarity Economy movement, I will have to assume at least four major responsibilities in presenting the results of my study to the sociological community. First, I must present the theoretical account that this movement has given of itself. Second, from the sociological literature, I must present the key theorists that are relevant to the case of the Brazilian Solidarity Economy movement. Third, I must present the results of my ethnographic study of the Brazilian “pooretarian” economy and the attempts of the

movement to expand and transform it. Fourth and finally, I will present the conclusions of my study.

The basic argument of this dissertation will unfold in four basic steps. First, there will be the presentation of the developmental or transformative theory of Solidarity Economy. Second, will be the specification of the major challenges to its claims from the sociological literature, one of which is the Michelsian challenge. That challenge claims that, as a result of increased technical and organizational complexity, the Solidarity Economy movement will become bureaucratized and succumb to pressures for oligarchization that have overtaken so many popular movements in the past. Third will be the Tocquevillean claim that the associational and participatory democratic practices of the movement will be effective counters to these challenges. Fourth is the Jamesian challenge that, in spite of pressures for oligarchization, there will be conditions for the emergence of networks of unmediated collaborations between workers, as well as grassroots leaderships, with the potential of promoting autonomous, self-organized collective action. I will conclude the argument by underlining the need for scholars of associational and participatory democracy to take into account the entrepreneurial activity of the "pooretariat" as a source civic action. Namely, I will point out the need to account for how the configuration, performance and political organization of production units created by the "pooretariat" influence and are influenced by political institutions.

Chapter outline

In Chapter I, I will present the theoretical ideas of the Solidarity Economy movement and show how this dissertation will contribute to their development. In Chapter II, I will use the work of C.L.R. James on grassroots mobilization and worker autonomy, as well as Arendt and Henry's work on the "public self", to analyze the evolution of the methodologies and institutional forms developed by the movement to promote the economic and political empowerment of the "pooretariat". In Chapter III, I will confront Robert Michels' "Iron law of Oligarchy" with theories on associational democracy in the analysis of the role of state/civil society linkages in the co-creation of public policies for Solidarity Economy, despite the "third way" orientation in the core leadership of the Workers' Party (PT). In Chapter IV, I undertake an ethnographic examination of the "pooretarian" economy of Brazil and analyze the effects upon it of the forms of institutional support to Solidarity Economy production units developed by the state and civil society organizations participating in the movement. Chapter V will continue the engagement with the previous theoretical challenges in the analysis of two factors: (1) the pressures for oligarchization and bureaucratization resulting from the creation of public policies for the sector and the integration of local-level Solidarity Economy forums in vertically integrated structures of representation; (2) the democratizing counter-effect of "parallel public spaces" and supply chain-based networks of economic collaboration created by organizations within the movement, namely in what regards the promotion of horizontal linkages between production units, as well as between different grassroots struggles among the "pooretariat". In Chapter VI, I will

make an overall evaluation of the effect of the strategies and institutional forms developed by the movement and the state on the economic and political empowerment of the “pooretariat”, as well as suggest a model for their improvement. Supported by the analysis on fieldwork data on projects that successfully improved the productivity of Solidarity Economy production units, I will present a minimal growth model by which to judge the progress that the movement has been making with the transformation of this economy.

The minimal growth model will be my distinct contribution to the complex theoretical field of this dissertation. I will present it at the start of this chapter as the first step in evaluating the economic progress of the Solidarity Movement in Brazil. Finally, I will conclude by presenting the significance of my findings for Solidarity Economy theory, and its plans for economic and social transformation. I will also present the significance of my findings for sociological theory through the two challenges and the claim that it contributed to the writing of this dissertation. The outcome of this line of argumentation and research will show that the economic performance of production units and the political empowerment of the workers participating in them are intimately connected. I will argue that the best way to promote both the productivity of the Brazilian “pooretarian” economy and the political empowerment of its workers is to integrate production units in supply chains, as well as to equip Solidarity Economy forums with planning committees for their management. Such committees should promote the coordination of the interests of production units with those of the communities in which they are embedded. Besides, they should also promote the introduction of “intermediate

technologies", as well as the establishment of horizontal and vertical productive and commercial linkages.

Methodology

This dissertation is a theoretically driven case study that is akin to two relatively novel approaches in qualitative social science: "political ethnography" and the "extended case method". It is in line with what Baiocchi and Connor (2007) call "political ethnography" since it makes an in-depth, interpretative analysis of political processes, as well as of the positioning and roles of actors in them, in a way that connects the "micro-processes" of the everyday praxis of a movement to the "macro-force" of institution-building (Nilsen, 2006: 130-2). Ethnography implies a conjunction of methods that has participant observation in its core. An ethnographic approach entails the study of processes as they happen through "the study of people in their own time and space, in their everyday lives" in either one or a small amount of comparative cases (Burawoy, 1991a: 2). However, one can only properly understand processes of strategy-setting and institutional emergence, as well as their impact on people's identity and everyday lives, if we extend beyond the "here and now" and into extra-local forces and historical processes such as democratization, neo-liberal reforms and civil and political society's reaction to them.

The extension beyond the "here and now" is the hallmark of what Burawoy calls the "extended case method" which, at the contrary of "classical ethnography", seeks to understand macro processes from the point of view of how they shape and

are shaped by "the microworld, the everyday world of face-to-face interaction" (ibid.: 6). This ethnographic approach is deeply rooted in the historical and contextual background, since its main goal is to find out "What must be true about the social context or historical past for our cases to have assumed the character we have observed?" (ibid.: 281). Another distinctive characteristic of the extended case method is its mode of theorizing. While other ethnographic approaches tend to build grounded theory directly from the empirical data, the extended case method uses pre-existing theory as a departing point, since it is generally used in cases that seem to negate or challenge some feature of an extant theory, with the purpose of reconstructing it (Burawoy 1991a: 6; 1991b: 8-11; Nilsen, 2006: 118).

This dissertation falls into the parameters of Burawoy's conception of the extended case method in terms of choice of object of analysis, as well as of its approach to the relationship between the micro and macro levels of analysis, causality, explanation, comparison, significance and social change.[6] Although case studies do not permit certain types of generalizations that comparisons or "larger-n" studies permit, the case study of a relevant or unique case allows for theoretical innovation because of its attention to process and anomaly. As a process of state-civil society relations, the Brazilian Solidarity Economy movement forces us to rethink theory (Baiocchi, 2005: 165). Given the near complete absence of previous theorization on the relationship, within the Brazilian Solidarity Economy movement, between economic practices, institutions, forms of state and civil society-based

[6] For a detailed explanation of these criteria, see Burawoy, 1991c: 280-3, as well as Nilsen, 2006: 118.

institutional support and the economic and political empowerment of the "pooretariat", it was necessary to adopt a participatory approach from the drafting of the research process to data collection and analysis. The purpose was to give centrality to the subjects' voice, instead of the researcher's representation of their perspective (Jordan and Yeomans, 1995: 397). The "extended case method" presupposes this reflexivity, in the extent that it elevates the inter-subjective dialogue between the researcher and its subjects as the defining principle of the reflexive science it supposedly represents (Burawoy, 1998: 14). The aim is to reverse the "objectification" of the research subjects that tends to accompany "classical" ethnography by giving them a central role in the definition of the research questions and in the formulation of codes for data analysis.

Data collection and analysis

This dissertation is based on data I collected during four periods of fieldwork in the form of in-depth, semi-structured interviews, participant observation of meetings and archival documents. Fieldwork started with an exploratory period during the months of June, July and August 2006. During this period I was a visiting researcher at "*Politicas Alternativas para o Cone Sul*"[7] (PACS) and had the chance of collecting extensive primary and secondary documentary material on the earlier articulations of the movement and the role of the World Social Forum on the emergence of FBES and SENAES. I also had the opportunity of making about 20 interviews with workers, movement intellectuals and NGO and SMO technicians in

[7] Translation: Alternative Politics for the Southern Cone (www.pacs.org.br)

Rio de Janeiro and in the state of Rio Grande do Sul. I also observed meetings of the Solidarity Economy Forum of Rio de Janeiro, as well as of "*Casa da Confiança",* a microcredit scheme for worker-owned enterprises created by its Community Finance Working Group. Besides, I travelled to Santa Maria, Rio Grande do Sul, to participate as an observer in that year's edition of the national-level fair of Solidarity Economy. The second period of exploratory fieldwork took place during July and early August 2007, during which I had the chance of interviewing about 10 workers, technicians and civil servants in Rio de Janeiro and at SENAES in Brasilia. The major period of fieldwork lasted 14 months and took place between June 30 2008 and August 31 2009. I was based in Rio de Janeiro where the actors of the earliest articulations and the main archives of the movement are located, and travelled frequently to Rio Grande do Sul to conduct interviews, participant observation and archival research. During this period, I travelled twice to Fortaleza, Ceará, for two periods of ten days each, to collect data on "*Banco Palmas*". I also travelled once to Brasilia for a period of one week in order to attend the closing sessions of the 4th National Plenary of Solidarity Economy, which took place during the 8th meeting of FBES' National Coordination. This Plenary defined, after six years of experimentation, the institutional rules that will regulate the relationship between FBES and the state-level Forums, as well as with the state. During that week I also interviewed civil servants at SENAES and the leader of the Parliamentary Working Group on Solidarity Economy of the Brazilian National Congress. During this period, I also had the chance to participate in the year's national-level Solidarity Economy fair in Santa Maria, as well as regularly observe meetings of the Cooperative

Network of Women Entrepreneurs of Rio de Janeiro (CNWE) and the Network of Women's Solidarity of the Western Region of Rio de Janeiro (NWS).

The fourth and final period of fieldwork took place during late January and early February 2010, when I returned to Brazil to participate as an observer in the first World Forum of Solidarity Economy, which took place in Santa Maria and Porto Alegre, Rio Grande do Sul. During this visit, I participated as an observer in the first World Fair of Solidarity Economy and shared interview transcripts and early findings with interviewees, with the purpose of clarifying codes emerging in the analysis of fieldwork data.

During the major period of fieldwork, I conducted 136 interviews. About 20 of them were done to individuals I previously interviewed in 2006 and 2007. I interviewed them again so as to gain a deeper understanding of their roles and experience within the forums, as well as their perspective on the history of the movement, than that which I gained by interviewing them during exploratory fieldwork in 2006 and 2007. In total, I interviewed 130 workers, technicians, civil servants, movement intellectuals and parliamentarians in Rio de Janeiro, Rio Grande do Sul, Brasilia and Fortaleza, state of Ceará.

I planned to identify the workers that are regular participants in the Solidarity Economy Forums by tracking their presence in their monthly meetings through the analysis of attendance lists from the earlier articulation in the mid-1990's to the beginning of fieldwork. Due to a lack of a centralized secretariat at the Forums of Rio Grande do Sul and Rio de Janeiro that could systematize all the documents pertaining to their activities, I didn't manage to collect every single

monthly meeting report and attendance list for both states, since many of them were missing. That happened for example with those in Rio Grande do Sul between the years of 1999 and 2004. The same happens for Rio de Janeiro for the years of 2004, 2005 and parts of 2007. I compensated for such gaps by using a snowballing technique and asked workers whom I interviewed based on their constant presence in attendance lists to indicate others who have been regular attendants since the earlier articulations, or at least since the creation of SENAES, but whose presence I could not attest from the documents collected.

I also used the snowballing technique to select and interview civil servants and technicians from civil society organizations. [8]I kept on doing interviews to workers, technicians and civil servants until I reached a level of saturation both in terms of the data collected and also in terms of the amount of agents performing a specific role. For example, regarding civil servants and parliamentarians in Brasilia, I interviewed the Secretary General and the four Heads of Department at SENAES, as well as the leader of the Parliamentary Group of Solidarity Economy of the Brazilian National Congress. Besides, I used ethnographic "snapshots" during participant observation of meetings at the Forums, at the CNWE and NWS and in public events such as Solidarity Economy fairs to identify interviewees who could give particular insights on movement strategies, how these create both incentives and barriers to participation and what impact these have on economic and political empowerment.

[8] Nuns and priests are hereby classified as SMO technicians, as those I interviewed work for *Cáritas*, which had a fundamental role in the diffusion of Liberation Theology and the construction of the Ecclesial Base Communities during the democratic transition. *Cáritas* is one of the major actors in the Brazilian Solidarity Economy Movement.

I ended up interviewing a larger amount of civil servants in Rio Grande do Sul than in Rio de Janeiro because the state had a much stronger role in the emergence of the movement in the former than it did in the later. Therefore, it was necessary to interview a much larger amount of civil servants so as to fully grasp the technical and historical aspects of the state involvement with the movement in the region. I interviewed a much larger amount of workers in Rio de Janeiro than I did in Rio Grande do Sul so as to account for the role of CNWE and NWS in supporting the functioning of the state-level Solidarity Economy Forum as what I hereby call "parallel public spaces". I didn't feel the need to make these extra interviews in Rio Grande do Sul for two reasons: First, there are no "parallel public spaces" like CNWE or NWS operating in tandem with the state-level Solidarity Economy Forum. This role is played by the regular, publicly sponsored local and state-level Solidarity Economy Fairs. Second, I realized through informal conversations with workers in the region that the dynamics of income-generation programs operating in the framework of corporate social responsibility or church-based initiatives have very similar dynamics to those I identified in Rio de Janeiro. Regarding the movement intellectuals, I interviewed those whose work is frequently quoted in civil society and academia as being paradigmatic and the basis of the movement's frames and strategies.

During the major period of fieldwork, I aimed to attend the monthly meetings of the state-level Solidarity Economy Forums of Rio de Janeiro and Rio Grande do Sul. However, due to internal disputes which will be analyzed on Chapter IV of this dissertation, the state-level Forum of Rio Grande do Sul only met once, in December

2008, during the yearly Solidarity Economy fair. I compensated for that absence of meetings by enrolling in the E-mail list of the Forum, so as to understand better its dynamics. However, I will not make any direct reference to E-mails exchanged between the members so as to protect their privacy. I will use the information exchanged in the mailing list as an instrument to contextualize data to which I will make direct references. During that period the state-level Forum of Rio de Janeiro met regularly and I attended every monthly meeting. I also received the reports and attendance lists for all of the meetings.

During exploratory and main fieldwork, I had the chance of collecting a large amount and variety of documents on the history and activities of the movement and its members. These documents include both primary material, such as pamphlets from enterprises, civil organizations and the state, manuals and training booklets used in courses and workshops, as well as notes from meetings, workshops, fairs and other public events. They also include secondary material such as books and articles (both academic and non-academic) produced by movement activists, as well as Masters' and Ph.D. dissertations on the subject. This data was mainly collected in the movement's archives, which are divided between two NGOs in Rio de Janeiro, PACS and "*Centro de Ação Comunitária*"[9] (CEDAC), CAMP in Porto Alegre, Rio Grande do Sul, as well as FBES' secretariat in Brasilia. I also consulted the archives of *Cáritas* at its offices in Brasília, Porto Alegre and Santa Maria, so as to get further information on the earlier articulations of the movement, especially in what regards

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[9] Translation: Center for Community Action (www.cedac.org.br)

the role of Christian Base Communities and international solidarity campaigns organized by NGOs connected with the Catholic Church.

Ensuring validity and consistency

In order to ensure the validity and consistency of the data used in this dissertation, I triangulated data pertaining to the different categories of actors, both individuals and organizations, so as to search for points of coherence and disparity, with the aim of identifying patterns so as to reach an understanding of the "meta-rationality" of the whole movement. Still, I privileged the standpoint of workers in data analysis so as to understand to which extent their participation in the forums, as well as their participation in programs organized by civil society and the state, promoted their economic and political empowerment.

I assessed the validity of the assumptions emerging from the triangulation of data according to the degree to which they were consistent with the overall evidence taken from the facts and processes under study (Levi, Rosenthal and Weingast, 1998: 14-15). In this case, as the focus is on institutional processes, it was essential to make sure that the narratives and the corresponding logical models created through the identification of patterns were consistent with the chain of facts that constitute the processes being analyzed. Ensuring validity required therefore a constant checking of consistency between narratives and data. Besides, I also reported back to my informants by sending, whenever possible, a copy of interview transcripts to the corresponding interviewee so as to correct inconsistency, get comments on how his or her responses fit into the larger context and, with the

exception of movement intellectuals, who enjoy the status of public figures, make sure that I would withdraw any information that could reveal the identity of the informant. During my fourth trip to Brazil in January 2010, I had the opportunity of sharing interview transcripts with interviewees that did not have access to E-mail or a mailbox, as in the case of many shantytown residents, who live in squatting settlements and have no formal address.

CHAPTER I
Situating Brazilian Solidarity Economy thinking as a theory and social movement frame

The Brazilian Solidarity Economy movement addresses itself to the sectors of the population that were marginalized by the neoliberal, export-oriented economic policies carried out by the Brazilian government since the mid 1980's. That includes those industrial workers who could not be re-absorbed by the formal job market and as a consequence either became chronically unemployed or joined the informal economy in the aftermath of the "downsizing" and company closures that marked the late '80's and '90's. It also includes groups that have been historically marginalized, such as shantytown dwellers, landless agricultural workers, Afro-Brazilian[1] and indigenous communities.

As a result of structural adjustment policies and trade liberalization, the country has experienced a rise in the unemployment rate from 4% in 1985 to 9% in 2007 (Menezes Filho & Scorzafave, 2009: 5). On the other hand, there has been a significant reduction in the poverty and inequality indicators. The percentage of households living under the poverty line decreased from 35% in 1993 to about 17% in 2007, while the national income inequality-based Gini coefficient dropped from 0.60 in 1998 to 0.56 in 2007 (op. cit.: 24). If one is to understand democracy as a political regime that should include, besides party pluralism and electoral competition, the promotion of the capacity of citizens for self-determination at the

[1] I am hereby referring to the *Quilombola* communities, meaning rural communities of descendents of ex-slaves who ran away from plantations and have kept their cultural identity and social cohesiveness.

political and economic level, one may conclude that the macroeconomic stabilization and economic growth that Brazil experienced in recent years did not translate into an expansion of opportunities for economic self-determination among the working population. In fact, the data presented by Menezes Filho and Scorzafave indicates that the increase in purchasing power that it brought for a significant part of the Brazilian population happened in a way that decreased its ability to exert influence on the way in which the formal economy and the policies that structure it are run. When analyzing the causes of decline of income inequality at the regional level, especially in the poorest regions, one finds that much of this reduction is due to increases in the coverage of social welfare programs based on conditional cash transfers, namely *Bolsa Família*,[2] That is especially the case of the Northeast, where conditional cash transfers were responsible for 46% of the reduction of the Gini

[2] Conditional cash transfer program introducing during the first government of president Lula da Silva. The basic condition of this program is that, in order to maintain their eligibility beneficiaries must send their children aged between 6 and 15 years old to school and guarantee that they are vaccinated. Besides, pregnant women have to do all pre-natal exams (Menezes Filho and Scorzafave, 2009: 29). Bolsa Família is considered the most innovative social assistance policy in the developing world, since cash transfers are conditional on the fulfillment by families of health and education-related conditionalities regarding children, as well as pregnant and lactating women. It represents a substantial increase not only in the access to public welfare, but also in the accumulation of educational capital and in the health of the younger generations, therefore improving their chances of upward social mobility. However, one may argue that this program promotes the maintenance of its beneficiaries in a situation of financial and political dependence on the government. In first place, Bolsa Família lacks participatory mechanisms in which beneficiaries can participate in decision-making regarding the way in which its resources are allocated. It also lacks incentives to the promotion of the sustainable inclusion and economic self-determination of their beneficiaries, within the formal economy, either through the development of employable skills or entrepreneurial capacity. Besides, the fact that it is a PT federal government program and not a policy institutionalized by law makes it continuity contingent on the reelection of PT-led governments. It also makes the access of the population to resources from Bolsa Família partially dependent on "an alignment of local authorities – which depend on federal resources – with the powers that be in Brasilia".

coefficient between 1998 and 2005 and 87% in the period between 2002 and 2004 (p. 30). Besides, although the percentage of workers in the informal economy has been reduced at the national level from 53.4% in 1999 to 47.5% in 2007, there are indications that the informal sector has helped a much higher percentage of people to escape poverty than the formal sector. That happens because, during that period, only 14% of the unemployed have experienced increases in purchasing power as a result of finding formal employment, whereas 37% of the unemployed experienced increases in their purchasing power as the result of obtaining employment or starting micro and small enterprises within the informal economy (op. cit.: 16, 25).

From this data, one may conclude that the increase in purchasing power brought by economic growth happened in a way that decreased the opportunities offered to workers for sustainable inclusion and economic self-determination within the formal market. The reduction of the household poverty rate from 35% in 1993 to about 17% in 2007 did not translate into a significant improvement in the access to jobs that provide a stable income and access to social security, as well as judicial protection in case of malpractice from the part of the employer. Although the informal market provided better opportunities for the improvement of purchasing power during the aforementioned period, the lack of a legally recognized contractual relationship between employer and employee does not guarantee that such improvement can be sustained in the long term, as informal employees can be dismissed with no previous notice and without having the right to unemployment insurance or any form of financial compensation from the part of the employer. The situation is not much better for entrepreneurs within the informal economy, as the

lack of legal personality that characterizes informal enterprises limits not only their ability to acquire credit, capital goods and production material, but also their ability to commercialize their goods beyond the informal market.

Neoliberal economists claim that the source of these problems is institutional and that the solution lies in the promotion of more incentives to the creation of formal jobs and the sustainable inclusion of micro and small enterprises in the formal economy, through labor market flexibilization[3], more inclusive legislation on property rights, tax reform and the reduction of labor costs (op. cit.: 31). Socialist economists and social scientists, in their turn, claim that labor market flexibilization and institutional incentives to job creation are not enough to solve those problems, since their root lies in very nature of capitalism. Therefore, they can only be solved through the mobilization of the population, as well as institutions, for the implementation of an economically democratic system based on the social control of the means of production and economic exchange. The challenge presented by the degradation of formal employment relations around the world, together with the crisis that Marxism has faced due to the failure and subsequent dismantling of "real socialism" in Eastern Europe, has led to a rethinking of the possibilities and strategies for the overcoming of neoliberal capitalism. One of the major results of such rethinking is Solidarity Economy theory, which has been gaining prominence among Latin American left-wing intellectual and activist circles during the last

[3] Pichler (2009), using the labor market regulation typology proposed by Crouch (1985) and Salamon (1998) argues that labor relations in Brazil evolved, during the democratic transition, from a corporatist-authoritarian to a neo-corporatist model in which state-based regulation is complemented by agreements established directly between employers and labor unions within enterprises.

decade. Some of the most prominent thinkers in this field are intellectuals who are active in the Brazilian Solidarity Economy movement.

What is Solidarity Economy?

Solidarity Economy is a theory of economic democratization that is rooted in Marxism but uses elements of Neo-institutionalism and Systems Theory in its approach to value formation, economic behavior and social change. Its main innovation is the proposal of a strategy for overcoming neoliberal capitalism within a democratic, pluralist political system in which worker control of the means of production and economic exchange precedes the control of the state by the popular classes. Such strategy shall be based on the development of a democratic praxis based on principles of self-management within worker-owned units of production, as well as their integration in a strategy of strengthening of the local economy through the formation of local-based networks of production, finance and commercialization, with the support of the state. Solidarity Economy theory allocates the role of mediator in the construction of those networks to civil society organizations working on popular education, a category that includes not only labor unions and NGOs working with grassroots communities, but also universities working with community outreach projects.

At its current level of development, Solidarity Economy theory is divided in two currents of theorization that diverge upon what actors constitute the "popular classes" that it refers itself to, as well as to what strategy shall the movement adopt to promote systemic transformation. On one hand, there is a current of theory based

on Marxist analysis that gives center stage to the vanguard role of labor unions and working-class parties (Lechat, 2004, quoted in Icaza, 2008: 102). This current defends a strategy of popular education focused on the democratization of technical knowledge and the development of management skills, with the purpose of promoting worker-owned enterprises based upon democratic principles of self-management. In Brazil, this line of thinking has been adopted by the Solidarity Economy section of the Workers' Party and adopted mainly by the organizations created by CUT to support the development of workers' cooperatives, namely ADS-CUT and UNISOL. Its major promoters are university-based researchers working with such cooperatives in the framework of participatory action research projects, especially in the southern and southeastern regions of the country. The most prominent in this line of theorists is Paul Singer, a professor of Economics at the University of São Paulo who is currently the National Secretary of Solidarity Economy at the Brazilian Ministry of Labor.

On the other hand, there is a Catholic/Marxist current of theorization, based on the legacy of Liberation Theology, that sees the "popular classes" as including not only the working class as classically defined by Marxism, but also those socially excluded groups commonly known as "the poor", which in the current information-based society includes "all the groups that are uprooted, technologically dislocated and not integrated in a cybernetic and automated society" (Icaza, 2008: 84). In the case of Brazil, "the poor" includes what Löwy (1996), quoting Christian/Marxist trade unionists in El Salvador, calls the "pobretariado" ("pooretariat"), meaning long-term unemployed people, shantytown dwellers, landless agricultural workers,

Afro-Brazilian and indigenous communities, as well as semi-employed, seasonal and informal workers, who are excluded from the 'formal' productive system (p. 73-4). Löwy (2003) argues that the social exclusion that affects this class also has an implicit racial dimension, as the majority of its components are either Afro-descendents or mixed-raced. According to Buarque (2001), this social exclusion materializes itself not only in the form of income disparities, but also in that of an "apartheid social" (social apartheid) that creates barriers to interactions with the middle and upper classes in all aspects of social life except in domestic service and other forms of lowly paid employment. The author argues that this social apartheid is path-dependent, having characterized the Brazilian social structure since colonial times. It is the result of slavery and the dependent development model adopted by Brazil since the independence. The structural adjustment of the '80's and '90's has only contributed to increase it as a result of unemployment and economic informality.

Based on the work of popular educator Paulo Freire, the Catholic/Marxist current of theorization resignified the concept of "the poor", ridding it of both its populist aspects and the connotation of passivity and backwardness implied in the Marxist concept of "lumpen proletariat", which is regarded in *The Communist Manifesto* as no more than "a passive putrefaction of the old order" (Marx, 1848, quoted in Lisboa, 2006: 4). This current interprets the knowledge, the forms of sociability and the economic praxis of "the poor" not as an expression of "backwardness", but as practices that, if properly articulated, can unleash a potential of transformation that may affect the whole social structure (Icaza, 2008: 84). It

defends a strategy of popular education and grassroots income generation focused on the development of empowered subjectivities and the establishment of networks of solidarity-based collaboration among the "pooretariat", with the purpose of promoting sociocultural change. This current of Solidarity Economy theory conceives the systemic transformation resulting from the control of the state by the popular classes as the overcoming of neoliberal capitalism through the gradual construction and expansion, from the ground up and within the rifts of the capitalist market, of networks connecting self-managed units of production, consumer associations and community-controlled financial schemes. These networks shall function according to principles of reciprocity and solidarity (op. cit.: 89). In Brazil, this line of thinking has been followed mainly by NGOs of Catholic extraction working with grassroots communities both in rural and urban areas. It is also followed by community development projects based on cooperative principles that were built from Ecclesial Base Communities (Bertucci & da Silva, 2003; Icaza & de Freitas, 2006; Neto Segundo & Magalhães, 2008). The most prominent thinkers that have been developing this line of theory are Marcos Arruda and Euclides Mance, who have a history of activism in Ecclesial Base Communities, as well as Catholic lay action groups.

An anti-capitalist project based on cooperative enterprise development: Paul Singer

Paul Singer was the first author in Brazil to use the term Solidarity Economy, framing it as the practice of self-management principles within workers' cooperatives. The author identifies Solidarity Economy with socialism, since its

fundamental principle, as a mode of production, "is the democratic organization of production and consumption, (…) in which freely associated workers and consumers share in an egalitarian manner the costs and revenue of labor and investment, as well as their rights and duties as members of cooperatives of production and/or consumption (…)" (Singer, 1998: 9). For Singer, the main difference between a capitalist and a socialist economy is "the way in which enterprises are administrated", the former being characterized by hierarchical management and the later based upon democratic forms of administration, in which all the workers have the same decision-making power, regardless of the function they perform, their level of education or technical knowledge (Singer, 2002: 17). The author makes a distinction between "self-managed" and "corporate" cooperatives on the grounds that, while the former are managed according to democratic management principles, therefore representing a true alternative to the capitalist mode of production, the later have lost their anti-capitalist aspects as they adopted hierarchical forms of administration.

Singer claims that "self-managed" workers' cooperatives have a considerable potential for the promotion of a "socialist social revolution" in the form of a "gradual systemic transformation of the economic, social and (…) political structures of (…) one or more countries "if the labor movement – labor unions and political parties – promote them as a viable alternative to capitalism" (Singer, 1998: 17, 182). That happens because practices of self-management promote the democratization of technical and management knowledge, fosters relationships of solidarity among workers, both within cooperatives and beyond, and develops their negotiating

capacity, therefore promoting class consciousness and the skills necessary for them to become active participants in the political sphere as militants and citizens (Singer, 2002: 22). Besides, the collaboration between "self-managed" workers' cooperatives, as well as with labor unions and political parties, tends to create a virtuous circle, as social movement and political militancy instigates learning processes that promote the practices that are necessary for effectively democratic and fully participatory management within workers' cooperatives (Idem). Moreover, enterprises and organizations providing them technical assistance can reinforce that learning by using methodologies of popular education to democratize economic, technical and management knowledge, with the purpose of developing the management skills among workers that are necessary for their equitable participation in decision-making (Singer, 2003: 74-89). In this context, the state plays an important role as an "institutional steward" of self-management practices by promoting public policies to support workers' education and technical assistance projects by labor unions, universities and research centers that collaborate with the labor movement, as well as regulations that promote their democratic and participatory management within workers' cooperatives, as well as their sustainable integration in the formal market (Singer, 2002: 10-11).

Overcoming capitalism through sociocultural change: Arruda and Mance

Marcos Arruda and Euclides Mance frame their thinking as "Solidarity Socio-economy", in the sense that it proposes an ethics-based project of social transformation that goes beyond the sphere of economic production and workplace

management, involving as well a change in consumer attitudes, in the principles regulating the financial sector, in the way in which political power is structured and exercised, and also in the norms and practices that regulate the relationship between these different actors. The work of these authors goes beyond the sphere of the enterprise, framing the promotion of worker ownership and self-management practices in the workplace as part of a holistic socio-economic development paradigm centered on non-alienated labor, the self-determination of individuals and communities and a sustainable relationship between human activity and the natural environment. Such a paradigm presupposes the gradual process of overcoming of neoliberal capitalism through the creation and expansion, from the grassroots up and from the local to the extra-local levels, of networks connecting self-managed groups of workers, producers or service providers, consumer associations, community-based finance schemes and public administrations. The catalyst of such transformation is a process of socio-cultural change promoted by norm-driven practices of popular education. Although both authors converge on these fundamental premises and refer to them throughout their work, Arruda, specialized in the development of a macro-theory of "integral development", based upon principles of human emancipation and environmental sustainability, a normative perspective of economic behavior and a qualitative, norm-centered approach to value formation and economic growth. He also developed, based on his experience as a close collaborator of Paulo Freire and popular educator in several Latin American and African countries, a theory of workers' education based on the normative code that underlie his paradigm of "integral development". Mance, in his

turn, specialized in developing a theory of solidarity-based market regulation through the construction and regulation of "networks of solidarity-based collaboration" connecting self-managed groups of producers, associations of politically and environmentally conscious consumers, community-controlled local financial schemes and public administration.

"Integral development" as an emancipatory project

For Arruda (2003), the underlying political rationality of solidarity economy is the promotion of a de-commodified post-capitalist economy centered on the integral development of the human being and the promotion of active, responsible citizenship. It is a holistic model of economic development, since it aims to promote not only the satisfaction of material needs, but also the development of the capacity for self-managed endogenous development of collectivities, the social, relational and cognitive capabilities of their members and their capacity of being full participants in the political sphere as militants and citizens. The author proposes a concept of "integral development" based on what he calls "the economy of 'enough'", meaning an economy which produces enough for the fulfillment of the needs of all members in a community, at the same time that it promotes social cohesion and environmental balance, as well as the social, cultural and political self-realization of the collectivity (Arruda, 2006: 63-5). "Integral development", aims to go beyond economic and institutional transformation and base social change on the empowerment of individuals and communities to the point that they can be "protagonists of their own development process" in a way that is both socially and

ecologically sustainable (p. 110).[4] Such concept is akin to Sen's (2000) perspective of "development as freedom", as it implies an expansion of individual and collective abilities for economic, political and cultural self-determination through popular education and participatory political decision-making.

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[4] Arruda operationalized the concept of "integral development" at the macroeconomic level by introducing into his analysis the "Gross National Happiness" (GNH) index and its corresponding indicators (2009). Buthan's former King Jingme Synguye Wangchuck created this index in 1972 with the purpose of supporting an economic modernization program based on the country's Buddhist values. This index is composed by indicators that cover nine fields of a population's private and public life:

1. Quality of life – related with all the material needs and the real economy;
2. Good governance – sharing of decision-making power between the state and civil society;
3. Education
4. Health
5. Ecological Resilience – capacity of an ecosystem to recuperate its initial state after being altered by human intervention
6. Cultural Diversity
7. Community dynamism
8. Balanced use of time
9. Psychological and spiritual well being.

There have been more recent attempts at operationalizing qualitative aspects of development. The Calvert-Henderson Quality of Life Indicators (www.calvert-henderson.com) presents a series of indicators in the fields of education, employment, energy, environment, health, human rights, income, infrastructure, national security, public safety, re-creation (or systemic regeneration) and shelter. Med Yones, the president of the International Institute of Management (www.iim-edu.org/grossnationalhappiness), conceives quality of life as being inseparable from good governance and operationalized these concepts in 2006 as a set of macroeconomic statistical indicators. This metric measures socioeconomic development by tracking seven development areas, including the nation's mental and emotional health. GNH value is proposed to be an index function of the total average per capita of the following measures, each of them being a combination of a plurality of related indicators:

- *Economic Wellness*: Indicated via direct survey and statistical measurement of economic metrics such as consumer debt, average income to consumer price index ratio and income distribution;
- *Physical Wellness*: Indicated via statistical measurement of physical health metrics such as severe illnesses;
- *Mental Wellness*: Indicated via direct survey and statistical measurement of mental health metrics such as usage of antidepressants and rise or decline of psychotherapy patients;
- *Workplace Wellness*: Indicated via direct survey and statistical measurement of labor metrics such as jobless claims, job change, workplace complaints and lawsuits;
- *Social Wellness*: Indicated via direct survey and statistical measurement of social metrics such as discrimination, safety, divorce rates, complaints of domestic conflicts and family lawsuits, public lawsuits, crime rates;
- *Political Wellness*: Indicated via direct survey and statistical measurement of political metrics such as the quality of local democracy, individual freedom, and foreign conflicts.

A normative perspective on economic behavior

Arruda's thinking has implicit an approach to economic behavior that sees it as being driven by ethical norms that are shaped by cultural institutions, language and communicative action (Arruda, 2003: 44). It can either be based on utilitarianism, self-interest and competition or transcend these values by taking the form of a community and environmentally oriented ethos. It depends on how the dominant actors of the economic system use the education and communication structures of society to build collective consciousness (Idem). Based on the work of Chilean biologists Humberto Maturana and Francisco Varela (1984), Arruda argues that the "evolutionary differential" that allowed the human species to adapt to its natural environment and become dominant in the planet during its hunter-gatherer period was not the maximization of self-interest through competition, but sociability, cooperation and solidarity. However, the beginning of agriculture led to the emergence of the concept of private property, and with it the emergence of hierarchies and competition for the private appropriation of goods, as well as the labor value of animals and other human beings (Arruda, 2003: 31). The emergence of capitalism and its globalization represents a maximization of this paradigm of competition, expropriation and private accumulation. However, Arruda argues that the growing awareness of global interdependence brought by recent advances in science and technology presents Humankind with the opportunity for overcoming this paradigm and "organizing individual and community life around those attitudes and behaviors that for millennia allowed the members of the species (…) to

coordinate their actions and share among themselves their means of making a living, as well as the pleasure of conviviality (…)" (op.cit.: 32). Such attitudes and behaviors, the author argues, are nowadays once again necessary to promote the adaptation of the species to a scarcity provoked by the depletion of the planetary ecosystem by human consumption (Idem). In order for such normative shift to be possible, is it fundamental to democratize the education and communication structures of society and develop an educational and cultural project centered on the development of empowered subjectivities through the emancipation of human labor force, knowledge and creativity (op.cit.: 32-3). Arruda's thinking implies that the success of any political project of democratization of the economy and promotion of practices of self-management depends on the promotion, by the educational and communication structures of society, of a collective ethos that promotes individual behaviors based on the values of reciprocity, redistribution and engaged citizenship (Arruda, 2006: 65-6). The author frames this ethos as an "ethic of co-responsibility" that aims to promote at the same time the maximum efficiency of each individual member, as well as that of the whole community, in the carrying out of commonly agreed objectives (Arruda, 2010: 299).

Arruda's perspective that change in normative consciousness must precede structural economic transformation in order for that to be successful seems to be in contradiction with his earlier premise that the emergence of a competitive ethos was the result of the introduction of agriculture and the emergence of private property. However, the author claims that the introduction of information technologies has the potential of bringing revolutionary changes to human society of

the extent brought by the development of agriculture. That happens because they contribute to the breaking up of previous geographic and cultural barriers of access to information, goods and human contact. They also promote the establishment of networked and horizontal modes of collective action that have the potential of promoting a radical democratization of the economy and political power (Arruda, 2006: 333). Whether or not such possibility becomes a reality will depend on the intention and purpose that humans apply to their use of these technologies, as well as the strategies they use to organize themselves for that purpose. Emancipatory education plays, according to Arruda, a pivotal role in developing the attitudes necessary for a collective action that will make such potential for radical democracy become a reality.

Promoting community building through emancipatory education

Mance claims that any theory or methodology of emancipatory education must be based on the practices of collective organization and economic solidarity carried out by the popular classes. The author includes in this concept not only that sector classically defined as the working class, meaning workers who have a formal employment relationship with a capitalist enterprise, but also informal workers, peasants and "all those groups that are economically exploited, expropriated in their activities of the social reproduction of life, politically and culturally dominated and excluded from the satisfactory conditions for the ethical exercise of their freedom." (Mance, 2002: 25). He also includes among the popular practices with an emancipatory potential not only the formation of labor unions and political parties,

but also practices of popular organization and economic survival outside the formal market in face of social exclusion, such as neighborhood associations, informal cooperatives, workers associations and networks of microentrepreneurs, settlements developed by landless peasants and subsistence agricultural producers. They also include experiences of direct barter and reciprocal domestic help, such as the informal child-minding networks and community kindergartens that are frequent in the shantytowns of large Brazilian cities (Idem). Arruda corroborates this view by claiming that such forms of community solidarity based on domestic arrangements are among the popular practices that have the potential of providing a basis for an alternative to neoliberal capitalism based on principles of reciprocity and redistribution (Arruda, Quintela & Soriano, 2000: 9-14; Arruda (org.) 2009; Arruda, 2010: 183-7).

Besides being based on the practices of popular classes, the theories and methodologies of emancipatory popular education must have the purpose of extricating them from intrinsic aspects that might contribute to the reproduction of oppression and social exclusion instead of breaking with those patterns. That implies that it must promote a critical understanding of structures and dynamics of economic and political power and how they reciprocally feed off mechanisms of social and cultural oppression and exclusion. It also must promote an understanding of how such processes often limit the development of experiences of popular organization, not only by limiting their access to resources, but also undermining their functioning due to the internalization of competitive and hierarchical modes of relating and exercising governance. Besides, it must propel its beneficiaries to think

beyond their immediate material objectives and build up a consciousness about new possibilities of collective action, as well as social and economic organization, that contribute not only to the promotion of their own quality of life but also to the furthering of the common good (Arruda, 2010: 155-182). For Arruda, self-managed cooperatives are in themselves an instrument of construction of politically empowered subjectivites, in the sense that they promote the learning of cooperation, responsibility, assertive negotiation skills and egalitarian consensus building. They also force a confrontation with the aspects of one's socialization that inhibit full participation in the management of the cooperative and promote the formation of hierarchies (Arruda, 2006: 69-70).

Arruda claims that, although the practice of emancipatory education must prioritize the most needy sectors of society, it also must extend itself beyond the popular classes through the application of its methodologies at all levels of public education, as well as in the professional education of officials and technicians in the public and private sector (quoted in Icaza, 2008: 104). Instead of referring to emancipatory education as a class-based project, he sees it as being one of community building. The author conceives the community as being the result of a "conscious decision of its members to divide among themselves the responsibility for their common destiny (Arruda, 2010: 299). Arruda argues that "[f]or an economy centered on the human being, both at the individual and the collective level, the first references are the individual, the family and the local community. The purpose is to promote the basic material and immaterial elements to promote the

self-determination and self-managed development of these social actors" (op. cit.: 298).

A grassroots, network-centered and participatory approach to systemic change

Mance and Arruda converge on the role of emancipatory educational and cultural practices in promoting self-managed community development, the constitution of empowered subjectivities and the promotion of a community and ecologically oriented ethos of active citizenship. They also converge in their proposition of a non-linear and non-deterministic approach to social change in which each new technological development opens a myriad of possibilities of social change. The possibility that materializes depends on how the prevailing ethos and social formations direct collective action. For these authors, the opportunity opened by information technologies to promote a structural shift towards socialism through the radical democratization of the economy and political power will depend on the promotion of a hegemonic communitarian ethos and the development of self-managed communities. However, while Arruda specialized in the development of theories and methodologies of emancipatory education, as well as envisioning the role of decentralized state power and participatory institutional designs in promoting a radical democratization of the economy, Mance has focused his work on envisioning the sort of social formations that shall promote such systemic change.

Mance argues that socialism shall be attained as the result of contradictions within capitalism, but not through a political revolution in which the taking over of state power by the working class precedes the development of a socialist mode of

production. The author claims that it shall happen through a gradual "social revolution" based on the construction and expansion of "networks of solidarity-based collaboration" between organizations in the economic, political and cultural fields. Such crosscutting networks shall connect self-managed cooperatives to ethical consumers' associations, community-based financial systems, educational and cultural institutions, the state and other organizations in the political field. They shall also integrate self-managed cooperatives in supply chains or common purchasing and commercialization schemes (Mance, 2001, 2003). Such "networks of solidarity-based collaboration" shall be developed on the basis of a strategy of re-localization of chains of production, commercialization and consumption in the form of community-level networks of self-managed groups of production, commercialization and financial systems, as well as participatory market planning at all levels of state government. It has implicit a bottom-up approach to governance, which presupposes the decentralization of state functions to the most local levels through a principle of subsidiarity, as well as the setting up of participatory institutional designs which directly involve workers in political decision-making (Mance, 2002: 25, 67).

Emancipatory education plays a fundamental role in the construction of "networks of solidarity-based collaboration", as it promotes an ethos that not only supports the emergence of self-managed units of production, finance and commercialization, but also educates consumers on the positive social effects of buying from these types of organization. It also promotes economies of scale by stimulating collaboration between these organizations and their connection into

supply chains (Mance, 2002: 27, 55). This “positive interdependence” is promoted when individuals consciously choose to work, buy, sell and invest in self-managed organizations, therefore promoting the emergence and expansion of supply chains through “systemic feedback” processes (Mance, 2002: 24-5). Emancipatory education also promotes the civic engagement of self-managed organizations by developing an ethos that stimulates their involvement in social movements and community development initiatives, therefore promoting the integration into “networks of solidarity-based collaboration” of agents within the cultural and political spheres. Such integration promotes the establishment of “semiotic fluxes” between civil and political society that stimulates the discussion of contentious issues in the political culture, the formulation of possible alternative political practices and will press the state for institutional reforms capable of addressing these issues at the level of political decision-making (Idem). Arruda and Mance identify the following areas as priorities for the elaboration of public policies aimed at promoting solidarity Economy: Support to emancipatory popular education, local participatory economic planning, the promotion of low interest rate, community-controlled local financial schemes and the promotion of schemes for the commercialization of local excess with other communities (Arruda, 2006: 117-141; 2009: 14-15; Mance 2002: 25, 67, 231- 58).

Arruda corroborates Mance’s perspective on the role of participatory politics in the promotion of systemic change by claiming that, in order for the state to effectively create and implement legislation and public policies that promote such change, there must be a reinforcement of the powers of local administration and its

reform so as to introduce participatory institutional designs. Such designs are necessary not only to promote the involvement of self-managed economic organizations in decision-making, but also to provide public administration with the situated knowledge on the grassroots economic practices that is necessary for an effective implementation of public policies (Arruda, 2006: 117-141).

Points of convergence and divergence between the two theoretical currents

The analysis of the work produced by Singer, Arruda and Mance indicates that there is a convergence between the two currents of theorization on Solidarity Economy on the following points: A prefigurative political strategy of attainment of socialism, popular education as a catalyst of social change and the state as an "institutional steward" of this process through the promotion of adequate legislation and public policies. There are divergences between these authors that indicate differences in the way each current approaches self-management and conceives popular education, as well as the sort of social formations that shall promote systemic change. However, these divergences do not make the two perspectives antagonistic, showing instead that they are mutually complementary.

Singer's work has an enterprise-centered conception of popular education, based on the democratization of technical knowledge and the development of management skills. It should be administered by working class organizations in the framework of a strategy of institution building that should also include technical assistance to the cooperative enterprise, with the purpose of promoting its sustainable integration in the formal market. The author is not clear, however, on

how to deal with the question of the promotion of empowered subjectivities. Regarding the social formations that shall promote systemic change, Singer sees labor unions and political parties as being the focal points of networks aimed at promoting working class hegemony and carrying out a revolutionary socialist strategy through gradual structural transformation and electoral competition instead of popular uprising. His perspective is not clear, however, about the role that cultural institutions should play in this strategy, nor about that of the building up of supply chains by integrating workers' cooperatives in networks of production, as well as connecting them with community-based financial systems and consumer associations.

Arruda and Mance's approach to economic behavior goes beyond the formal market, including practices of economic organization that are carried out by the popular classes within the informal economy, with the purpose of guaranteeing their survival in circumstances of poverty and social exclusion. In their theorization, they include not only workers' cooperatives, but also those formed by producers and service providers. Besides, their approach to the promotion of practices of self-management goes clearly beyond the realm of the enterprise, including also local financial schemes and consumer associations, as well as organizations in the cultural field and even the state, by advocating for the decentralization of political power and the implementation of participatory institutional designs. The authors have an individual and community-centered conception of popular education that focuses on the promotion of empowered subjectivities and a solidarity-based ethos. However, it is not clear about the role of the democratization of technical

knowledge, the development of management skills or the provision of technical assistance not only in the promotion of practices of self-management, but also in the integration of cooperatives in the formal market. Arruda and Mance conceive the attainment of socialism as being the result of a gradual strategy of ground-up building of "networks of solidarity-based collaboration" integrating organizations in the economic, cultural and political fields. Cultural institutions, especially those that promote emancipatory education, play a pivotal role in the construction of those networks. However, the authors do not have a clear approach of the role that should be played in this strategy by "traditional" channels of grassroots mobilization and political influence, such as labor unions and political parties, as well as that of electoral competition.

Theoretical alignments of Solidarity Economy theory

As previously referred, Solidarity Economy theory offers an approach to economic democratization that is rooted in Marxism but also incorporates elements of Neo-institutionalism and Systems Theory in its analysis. Marxism provides the philosophical and methodological foundations of Solidarity Economy theory. Neo-institutionalism contributes with elements for its perspective of economic behavior and Systems Theory to the qualitative aspects of its approach to value formation, as well as to its theory of social change.

Solidarity Economy and Marxism

Marxism structures the thinking of Singer, Arruda and Mance. The three authors have implicit in their theorizing a linear, optimistic vision of progress that predominates in western modernity and is at the root of Marxist theory. According to this perspective, social dynamics unfold in the direction of "superior" forms of social and economic organization (Icaza, 2008: 101). A society based on Solidarity Economy principles shall represent an overcoming of neoliberal capitalism, in its exploitative and socially disintegrating aspects, as well as "real socialism", in its bureaucratic, authoritarian and economically inefficient facets. Solidarity Economy theory has a linear, structuralist understanding of the functioning of capitalism, based on capital accumulation and class relations (Mance, 2002: 28, 183; Singer, 2002: 7-17, 128; Arruda, 2006: 65). It also espouses the Marxist non-essentialist perspective on human nature (i.e. Arruda 2000, 2003: 117-142, Singer, 2002) and shares the idea that social relations structure the mode of economic production (Mance 2001; Arruda, 2000: Singer, 2002: 7-11). It also argues that social change happens as a result of internal contradictions within the existing mode of production (i.e. Singer, 2002; Arruda, 2003). Solidarity Economy theory conceives society as a terrain of struggle, but regards cooperatives of production, credit and commercialization, instead of political parties, as the main actors in the subordination of market and state to what Gramsci calls the "regulated society". The foundations of its theory of value are materialist, being based upon the notion of socially necessary labor time, to which the authors add elements related with social

and environmental externatilities that contribute to the development of a more objective notion of use-value that that originally proposed by Marx.

Solidarity Economy theory also relies on Marxism for the foundations of its theory of social change. It is strongly aligned with Gramscian approaches to the attainment of socialism, namely with Laclau and Mouffe's proposition of a counter-hegemonic socialist strategy in the framework of a democratic, socialist system (1985). Such perspective is very clear in Singer's theorization, which defends the mobilization of workers' cooperatives in the framework of a labor union and party-based working class strategy of attainment of political hegemony, with the purpose of promoting socialism through the gaining of state power via electoral politics (Singer, 1998: 182). Arruda and Mance are also aligned with the Gramscian counter-hegemonic approach to social change, although they do not make a clear reference to the role labor unions and political parties shall play in it. Their focus is more on the relationship between culture and economic behavior and the role of cultural institutions and norm diffusion in the promotion of counter-hegemony (Mance, 2001: 14; Arruda, 2003: 283-296; Arruda, 2006: 334-6). In that sense, one may consider that the perspective of these authors on social change is aligned with the Habermasian concepts of "communicative action" and "lifeworld" (Habermas, 1981).

Solidarity Economy and Neo-institutionalism

Solidarity Economy theory can be considered a form of what Burawoy calls "Sociological Marxism", as it is in line with Polanyi´s Neo-institutional conception of

“active society”, in the sense that its main focus is the understanding of the interpenetration between social formations and the market, as well as the way in which they can emancipate themselves from an over-determination by economic logic (Burawoy, 2003: 198). The work of Arruda and Mance indicates that, according to Solidarity Economy theory, such emancipation consists in the assertion of social and cultural norms over utilitarianism as the basis of economic policy and behavior. The way in which Solidarity Economy theorists conceive economic behavior is in line with Neo-institutionalism in the sense that they regard economic exchange as something that extends beyond the demand and supply principles that regulate the market, also identifying the principles of redistribution, reciprocity and domesticity as forces that organize the production and exchange of goods and services (Pinto, 2006: 46-50). Singer identifies the principles of redistribution and reciprocity as being the foundation of practices of self-management (2002). The author does not make clear whether or not he assigns any significant role to the principle of domesticity, since his work focuses on workers’ cooperatives and does not provide significant insights on other forms of popular economic self-management. Arruda and Mance, however, clearly refer to the three principles throughout their work and regard domesticity as the foundational principles of popular strategies of economic survival outside the formal market that have emancipatory potential (i.e. Mance, 2002; Arruda, 2010).

Solidarity Economy and Systems Theory

Habermas claims that the current state of pluralist-democratic political theory is marked not only by elitism but also, from the point of view of Systems Theory, by "a rationality of self-reflexive steering that has lost all traces of the normative content of democracy" (Habermas, 1996: 334). The normative content of the economic theory of democracy has also been reduced to the rational-choice behavior of those participating in the democratic process (op. cit.: 333). In this sense, it is possible to consider that, from the Habermasian point of view, Solidarity Economy theory joins the "lifeworld" perspective to that of Systems Theory, by bringing into the equation not only communicative action, but also the role of socio-cultural norms in equipping agents with the "cognitive" and "motivational complex" that allow for the reconciliation between purposive and instrumental rationality that makes norm-conformative behavior possible (Mc Carthy, 1981: xix; Habermas, 1981: 89). Solidarity Economy theorists made that possible by introducing into their thinking cutting-edge elements taken from systems research in the natural sciences.[5]

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[5] Systems theory emerged from developments, in the last five decades, in quantum physics and the study of ecosystems within biology, which led to the conception that the planet as a whole is a living, self-regulating system and that the material world, ultimately, is a network of inseparable patterns of relationships. Such view presupposes that the sustainability of the planet depends upon a balanced interconnection between the economic, social and environmental sub-systems, which are mutually linked and dependent. This understanding of material and social reality as a complex system made it possible to formulate a "scientific concept of quality", which refer to the properties of a system that none of its parts exhibit, since they arise from processes and patterns of relationships between them. Quantities, like mass, energy or the quantity of recorded financial transactions in a given currency, refer to the properties of the parts, and their sum total is equal to the corresponding property of the whole (i.e. total mass, energy or GDP). Qualities, like such as social cohesion and collective well-being, cannot be described in purely quantitative terms, having to be mapped through the analysis of the relationship between indicators referring to the properties of their parts (Capra & Henderson, 2009: 6-7).

Systems Theory, although not having much of an impact in Singer's work, makes a significant contribution to the theorization carried out by Arruda and Mance, particularly in regards to the authors' approach to value formation, governance and social change. Implicit in Arruda's paradigm of "integral development" is an approach to value formation and economic growth that combines labor value with use-value criteria that go beyond the utility of a good or service for the individual, including the social and environmental externalities resulting from its production and use. Such approach implies that true economic growth is not mere increases in the Gross Domestic Product, but instead that which "enhances the quality of life in living organisms, ecosystems and societies" by promoting their regeneration (Lappé, 2009, quoted in Capra & Henderson, 2009: 5). Such approach implies going beyond measuring the quantity of recorded financial transactions in a national economy, as it tends to include negative externalities, such as accidents, wars, remedial action for environmental hazards, legal litigation and healthcare costs as positive contributions to the GDP. It omits the barter and exchange happening in the informal sectors, as well as the value of voluntary services provided within communities and families (Idem). Besides, it also omits the way in which the social relations underlying the production, commercialization and consumption of goods and services contribute to social cohesion, environmental sustainability, personal and collective well-being and the self-realization of individuals and communities (Idem). These positive externalities of economic

activity are evaluated according to their conformity with norms and values that might not be universally generalizable, since they refer to a community's own culture and collective experience (op. cit: 7). As such, they require indicators that can be easily adapted, discarded or substituted according to culturally specific circumstances, which are bound to evolve over time. Therefore, one may consider that, according to Solidarity Economy theory, what contributes to economic growth in one country, region or community might have a neutral or negative impact on another. Arruda argues that social norms are not universally generalizeable. He bases his claim on the work of Maturana and Varela (1984), who elaborate on the centrality of language in the structuring of human sociability and claim that social norms are the symbolic expression of a process of collective adaptation to a natural environment, as well as fundamental instruments in the structuring of the very same process (Arruda, 2010: 44-7).

The influence of Systems Theory is visible in Arruda's conception of economic behavior as being driven by language, norms and communicative action (Arruda, 2003: 44). It is also visible in Mance's approach to social dynamics and change, namely in the centrality of social networks, as well as information processing and reflexive feedback as the mechanisms that guarantee their cohesive functioning and prompt their adaptation and change according to environmental conditions. It is also implicit in the author's idea that any technological innovation with the potential for large-scale impact opens a range of different possibilities of structural transformation, depending on the values, norms and perceptions that are diffused through information-processing institutions. This idea underlies the

centrality given to organizations involved in emancipatory education in the formation of "networks of solidarity-based collaboration", as they play a fundamental role in the elaboration and diffusion of Solidarity Economy-based practices and collective action strategies, as well as in the mediation between the economic, cultural and political fields that is necessary for the promotion of a counter-hegemony (Arruda, 2003: 283-296).

Towards a theory of "socially enterprising publics"?

Mance's focus on the role of social formations in promoting structural transformation complements Arruda's proposal of a radical democratization of the state and the economy through the decentralization of state power and the introduction of participatory institutional designs. This theoretical whole is akin to the model of "participatory publics" proposed by Avritzer to explain cases of grassroots-led democratic deepening. According to this author, "participatory publics" emerge when the formation at the public level of mechanisms of face-to-face deliberation, free expression and association lead to the emergence of social movements and voluntary associations that turn specific elements in the dominant culture into problematic issues to be politically addressed. Democratic deepening happens when such addressing of contentious issues at the societal level results in the introduction of participatory institutional formats capable of addressing them in the political arena (Avritzer, 2002: 7-9, 52). However, the focus of Arruda and Mance's thinking is not so much the relationship between organized society and the state, but the way in which it is affected by, and reacts to, the dominion of

impersonal economic forces and bureaucratized administrations that characterizes neoliberal capitalism. The authors conceive such reaction as being more than the formation of communicative mechanisms for addressing contentious issues in the dominant culture. Their prefigurative approach to economic democratization presupposes a strategy in which a mobilized community, at the margins of the state and other regulatory institutions of the economy but without resorting to illegality, builds a new form of production, commercialization and financing that gradually creates a rationale for changes in policy and legislation in a way that gives an institutional support to this new reality (Mance, 2001: 14; Arruda, 2006: 334-6). In that sense, one may consider that the work of Arruda and Mance add an element of economic organization to Avrtizer's theory of "participatory publics", contributing therefore to a theory of grassroots-led economic democratization, based on prefigurative economic action, which may be tentatively called a theory of "socially enterprising publics".

Contributions to a theory of "feasible socialism"?

Besides being mutually complementary, the two currents of Solidarity Economy theory, when taken as a cohesive whole, provide a significant contribution to what Alex Nove would call a theory of "feasible socialism". Solidarity Economy theory, in its reference to market dynamics and preference for small producers and local-level economics, might on a superficial reading give the impression that it is an update of classical liberal economic theory, of the type formulated by Adam Smith. However, there is one major aspect that differentiates it from the economic model

exposed in "The Wealth of Nations", which is the inclusion of socialism as a societal goal, as well as a basic aspect of its prefigurative political strategy. The concept of socialism that is inherent to Solidarity Economy theory is akin to the "feasible" kind of socialism advocated by Nove. Such a concept implies a dominance, but not exclusivity, of social ownership of the means of production and exchange, who predominate not only numerically, but also in their capacity of determining the strategic lines of political decision-making. Singer (2002), indicates that the establishment of a working-class hegemony does not imply the elimination of privately or state-run enterprises. Instead, the organization of the working-class into self-managed workers' cooperatives and their mobilization into labor unions and parties will allow this form of organization to become not only numerically predominant, but also politically predominant in the definition of economic policies. Arruda, in his turn, also indicates that a socialist society run by Solidarity Economy-based principles does not imply the abolition of private or state-based property, as he claims that self-management practices should be integrated in the organizational culture of firms and other institutions in the public and private sector (quoted in Icaza, 2008: 104). Solidarity Economy theory is also in line with Nove's concept of "feasible socialism" in the sense that it implies a democratization of political and economic activity through the decentralization of political power and the establishment of self-managed forms of governance both within the firm and at the state level.

Solidarity Economy proposes a structural alternative to neoliberal capitalism that addresses not only the main factors that threaten the liberal-capitalist model,

but also the factors that ultimately led to the demise of "real socialism", all of them having to do with questions of scale and specialization. Such a proposal is based on the reconstruction of supply chains at the local level and the elimination of the distance between workers, managers and capitalists (Mance, 2002; Arruda, 2006). Nove identified two main factors that undermined the sustainability of "real socialism" and also threaten the survival of the liberal-capitalist model: The monopoly of power of large business giants and the difficulty in harmonizing sectional interests with the general interest, deriving from an alienation not only between workers and their "bosses" (capitalists and managers), but also between producers and consumers (Nove 1983: 1-3). The author argues that the need for economies of scale within the capitalist economy led to the domination of a whole series of vital industries by enormous business corporations and conglomerates, leading either to the closure of small businesses or to the establishment of relationships of dependence between many of them and the larger ones, based upon subcontracting agreements (op. cit.: 1). The attempt to eliminate capitalism by the countries that adopted an economic model based on "real socialism" did not solve this problem, as small private businesses were turned into government concessions. Such situation led to a further disempowerment of small producers, as the dependence of waged employees upon the state, acting in these circumstances as a monopolist, substituted that of small business owners on an oligopoly of large corporate subcontractors. Solidarity Economy theory claims that the solution to such problem is the de-linking of small businesses from large conglomerates and

their integration into local-level supply chains composed by workers' and producers' cooperatives.

Nove also argues that the concentration of economic activity into large conglomerates is the root cause of the difficulty in harmonizing sectional interests in both the liberal-democratic and the "real socialist" model (op. cit.: 29-34, 228-30). In the liberal-democratic model, the frequent anonymity of investors, as well as the social and often geographical distance between workers and the echelons of management that define the company's strategy complicate labor relations, leading often to circumstances in which management imposes wages and working conditions that are detrimental to the well-being and upward social mobility of workers. It also often leads to situations in which labor unions press for salary increases or improvements in working conditions that are not sustainable, as they cannot be backed by increases in productivity either in the recent past or realistically expected for the near future. In the case of "real socialism", the preference for large industrial conglomerates and centralized planning often created incentives for corruption, free riding and "prisoners' dilemmas" that led to the escalation of inefficiencies and situations of malfunction. Solidarity Economy theory proposes to solve this difficulty of harmonizing sectional interests with the general interest within the firm by promoting the creation of smaller-scale economic units in which workers own the means of production. Although neither Nove nor Singer, Arruda or Mance claim that it is possible to fully eliminate specialization and hierarchy within firms large enough to impede daily face-to-face contact between all its members, Solidarity Economy theory claims it is possible to

decrease them by promoting the democratization of technical knowledge and the development of management skills among workers. Besides, the promotion of a communitarian and ecologically oriented ethos through emancipatory educational practices has the potential to contribute to the development of organizational cultures that facilitate the harmonization between private, sectional and general interests.

The tendency for the concentration of economic activity in large conglomerates that characterizes both the liberal-democratic and the "real socialist" models also leads to a distance between producers and consumers, which has detrimental consequences on the relationship between price and quality in the products, as well as on the capacity of costumers to exercise choice in consumption. The greater the degree of monopoly power of a corporation in the liberal-capitalist system, the easier it is for it to increase profits " at the expense of the customer or of quality or of choice, for the less is the importance of the customer's goodwill" (op. cit.: 2). A similar problem happens in the "real socialist" model, caused not only by the monopolist power of large, state-owned firms, but also by the elimination of the market by planning of producer competition, consumer choice and consequently of the supply-and-demand dynamics that characterize market functioning. These factors, together with the difficulty of collecting information on consumer needs on a large scale and finding generalizable indicators to assess the use-value of goods, makes it very difficult to produce goods in the quantity and with the characteristics needed to effectively fulfill the needs of consumers. Solidarity Economy theory claims that the restructuring of supply chains at the local level might contribute to a

significant decrease in these problems, as it leads to a greater geographical and social proximity between producers and consumers. Besides, the preference for smaller firms that characterizes Solidarity Economy theory implies the existence, within local level supply chains, of a larger number of firms. Such facts benefit the consumer, as they not only gives him/her a larger range of products to choose from, as the producers compete to gain his/her preference in terms of quality and price. Besides, it also contributes to decrease the relative market share of each firm, therefore reducing their overall monopoly power. Such scenario facilitates the collection by firms of information on consumer preferences and the assessment of the use value of products, based on circumstantial criteria. The proximity to consumers also creates stronger incentives for firms to include such information in their production and commercialization strategy.

Towards a theory of the "feasible" socialist state and social formations?

In Solidarity Economy theory, the purpose of governance through self-management at the firm and state levels is to promote what Nove, quoting Bettelheim, claims as being "the fundamental law of developed socialism". It is "the law of social direction of the economy", which ensures "the extension of the field of action of the direct producers, their domination over conditions of production and reproduction" (Nove, 1983: 29). The goal is not to eliminate producer competition or market dynamics, but instead to regulate them to a level that is equitably beneficial for society and the environment (op. cit.: 23, 41-2). Such regulation shall happen through participatory market planning mechanisms and according to a

concept of use value that takes into account the social and environmental externalities of the characteristics of goods and services, as well as of the social relations underlying their production, commercialization and use.

Solidarity Economy theory focuses primarily on understanding of the relationship between "active society" and the market. However, the focus on participatory governance and the grassroots construction of "networks of solidarity-based collaboration" that characterize the work of Arruda and Mance may contribute to the construction of a socialist theory of the state and revolutionary social formations which, Nove argues by quoting Althusser, is absent from the original formulations by Marx and Engels (Nove, 1983: 20). It is also virtually absent from Singer's work, which only refers to the mobilization of workers' cooperatives in the framework of labor unions and political parties. Although the author claims that active militancy in social movements, community organizations and participatory politics tends to instigate learning processes that promote the practices that are necessary for effective self-management within the firm, he does not delve into how the practice of self-management within a workers' cooperative might contribute to engagement in social movements or other form of popular political collective action (Singer, 2002: 21-2).

The work of Arruda and Mance provides the basis of a governance strategy based on the democratization of information and communicative action for the problems of scale, specialization, scarcity and harmonization of sectional and general interests. In that sense, they provide a communicative mechanism for the search for local-level solutions to questions such as chronic unemployment and

social exclusion. However, neither the work of Arruda and Mance, nor that of Singer proposes mechanisms for the governance of strategic sectors of the economy, whose need for large-scale investments makes it necessary, according to Nove, for them to take the form of large conglomerates and be centrally managed by a body of specialized bureaucrats and technicians (Nove, 1983: 17). The only hint to this question comes in Arruda's argument of the necessity of "grassroots-up" governance and Mance's reference to the principle of subsidiarity in the relationship between "networks of solidarity-based collaboration" and the state (Mance, 2002: 25, 67; Arruda, 2006: 117-141). Such references imply the need for the establishment of a federal-type of national level governance, in which higher levels of governance make decisions through the incorporation of information provided by representatives from the lower levels of governance. This form of governance may provide a strategy for managing the inevitable dependence of local-level supply chains on the external provision of energy, as well as of other goods whose production cannot be efficiently carried out at the local level.

On the necessity of a Solidarity Economy theory of action

Icaza critiques Solidarity Economy theory by claiming that it is "an analytical and propositional framework based on grand ideas, but that lacks a reference to the socio-economic dynamics of concrete actors, specially those in the popular sectors (…)" (Icaza, 2008: 101). In its approach to social change, Solidarity Economy theory takes into account the role of institutions, social formations and communicative action. However, it is still lacking a theory of action that may help explain what

determines the entrance and sustained participation of individuals in the Solidarity Economy movement. That implies analyzing what promotes entrance into self-managed economic units and how sustained participation in them influences participation in the deliberative structures of the movement, which in the Brazilian case are the Solidarity Economy Forums. Given the centrality of popular education in Solidarity Economy theory, as well as in the movement's economic and political praxis, the literature on cognitive production in social movement might help answering these questions.

According to Steinberg (1992), such literature on the cognitive praxis of social movements is largely an elaboration upon Habermas's work on communicative action (p. 552). From this perspective, social movements are analyzed both as collectives of transitory social actors engaged in innovative cognitive praxis (Idem), as well as processes through which knowledge is generated, modified and mobilized for political purposes (Casas-Cortés, Osterweil & Powel, 2008: 17). Eyerman and Jamison (1991) define three dimensions of the cognitive praxis of social movements:

(a) The cosmological, in which worldviews are defined, and the historical meaning and purposive goals of the movement are articulated. This dimension relates to the theorization carried out by movement intellectuals and scholar-activists;

(b) The technological, which includes the techno-practical agenda and means of action that movements develop;

(c) The organizational, which refers to the means by which knowledge production and transmission is managed.

Passy and Giugni (2000) establish a connection between cognitive praxis and activism by analyzing the impact on social movement participation of the relationship between, on one hand, the perceptions individuals have of their embeddedness in groups or networks, and on the other hand the "structure of meanings" that is provided by social movements (pp. 120-1). The perception of embeddedness in groups or networks constitutes what the authors call the "subjective" aspect" of "life-spheres", being the objective aspect represented by the individual's belonging to a group and the social relations arising from such belonging (Idem). The authors focus on the subjective aspects of "life-spheres", using them to complement the structural focus of network analysis, which they argue "carries an unsatisfactory conception of human agency" by neglecting the role of "culture, meanings and subjectivity" in determining social action (op. cit.: 121). The authors claim that, far from merely reacting to interpersonal connections, social actors interpret them so as to try to make sense of their interactions with others. They adapt the social knowledge they acquired from prior interactions with interpretations drawn from recent ones (Idem). When the activist networks in which movement participants are embedded continuously provide a "structure of meanings" that promotes a symbolic linkage between their activism and their personal "life-spheres", sustained participation is likely to occur. When these two factors become progressively separated from each other and the process of self-interaction by activists loses its strength, disengagement can be expected (p. 117).

The analysis made by Passy and Giugni suffers from the fact that it neglects the role of material conditions, namely the availability and conditions of access to resources that are necessary for cultural and economic production, in the construction of subjective meanings for collective action. Therefore, it is necessary to add to the objective aspects of "life-spheres" the role of network embeddedness in facilitating the access to resources. Besides, it is also necessary to take into account how the socio-economic environment in which actors are embedded and the relevant public policies available to them structures and constrains the capacity that networks have of facilitating access to resources for their members. Material conditions are of particular importance in the analysis of meaning construction in the Solidarity Economy movement, as it is based on a prefigurative strategy of building self-managed networks of production.

According to resource mobilization theory, individuals join social movements for a resource gain other than that promised by the social movement's end goal, and only when the gain outweighs the cost to the individual. Social movements create organizations with the purpose of aggregating the resources needed for the fulfillment of their members' interests (McCarthy & Zald, 1987). From this perspective, one may assume that what motivates individuals to create or become members of self-managed units of production is mainly the expectation of having access to resources needed to the improvement of their quality of life. On the same line of thinking, one may also assume that what motivates self-managed units of production to participate in Solidarity Economy Forums is the expectation of having access to resources that are necessary for organizational success. Therefore, it is to

be expected that, when members of self-managed units perceive that the Forums do not facilitate access to necessary resources, disengagement can be expected. However, since Solidarity Economy is a political movement, its members should be socialized into seeing beyond their immediate material objectives and building up a consciousness about new possibilities of collective action, with the purpose not only of promoting their own quality of life but also the furthering of the common good (Arruda, 2010: 155-182). In that sense, one may consider that the success of the movement depends to a large extent on the harmonization of instrumental and purposive goals not only among its individual participants, but also among the organizations that support their economic initiatives and promote their socialization into the movement.

Therefore, one may ask what role does political socialization within the Forum plays in promoting sustained participation? What role does the previous political socialization of individuals play in determining the choice of starting a self-managed cooperative unit or joining a previously existing one and promoting its affiliation to a Solidarity Economy Forum? By political socialization within the Solidarity Economy Forums, one understands not only the activities of popular education carried out by affiliated organizations, but also the learning that participants gained from taking part in Solidarity Economy Forum-related meetings and other activities at the local, state and national level. Previous to joining the Forums, political socialization may take the form of participation in social movements, community organizing initiatives and popular education projects, as well as religious, cultural or civic organizations.

A Solidarity Economy theory of action must connect cognitive praxis theory with resource mobilization theory, inter-relating the dimensions of the cognitive praxis of social movements identified by Eyerman and Jamison (1991), the "life-spheres" of individual participants (Passy & Giugni, 2000) and the conditions for economic and political action identified by Nove (1983):

(a) Access to information;

(b) Building up of motivation;

(c) Availability and ready access of the means necessary for action;

(d) Prevention of oligarchization by the most skilled and better socially and politically connected members of the group.

Analyzing access to information implies delving into the techno-practical level of the cognitive praxis of movements. In the case of the Solidarity Economy movement, it implies analyzing methodologies of popular education, so as to understand how methods of democratization of technical knowledge and development of management skills, on one hand, and methods of emancipatory education, on the other, contribute to the development of the knowledge and capacities needed for the successful management of self-managed economic units and active participation in the Forums.

Building up motivation to participate in a sustainable manner in a project of structural transformation towards socialism implies, according to Nove (1983), bridging "the wide gap between actual demands by real workers – for higher wages and the like – and the fundamental changes which they ought to want, which include abolishing the wages system." (p. 55). Nove agrees with Bahro and quotes him when

saying " (t)hat the proletariat ... is the actual collective subject of general emancipation remains a philosophical hypothesis, in which the utopian components of Marxism are concentrated." (Bahro, 1977: 233, quoted in Nove, 1983: 55). The author suggests that workers, being "an alienated and degraded class", that will "confine themselves to 'trade union' demands" if "left to themselves". As such, the shift in consciousness needed for the complementation between instrumental and purposive goals that underlies sustained participation in a political project implies the Leninist assumption that "(...) ideas need to be brought to workers from the outside." (op. cit.) Such "outside" that Nove refers to is a class of engaged intellectuals and technicians that is able to define the purposive goals of the political project, build its technico-practical agenda and organize the means by which knowledge production and transmission is managed. In political systems based on "real socialism", such as those of the Soviet Union, Cuba or China after the Cultural Revolution, such shift in consciousness was attempted by aligning individual and government goals through educational reform and propaganda. In the case of social movements developing in the framework of politically pluralist systems, it requires popular education and other activities aimed at promoting communicative action. Given the necessity of a class of intellectuals and technicians to carry our these goals, it becomes necessary to analyze under what circumstances does their interaction with workers leads to a co-creation of knowledge, organization forms and political projects in a way that resonates with their life-spheres and promotes the development of empowered political subjectivities.

In order to understand the building up of motivation in social movements, it is

necessary to analyze how the cosmological and techno-practical levels of the cognitive praxis of movements interact with resource mobilization in the creation of normative and material incentives for sustained participation. In the case of the Solidarity Economy movement, it implies analyzing the impact on the building up of a consciousness of "new possibilities" of economic behavior and political participation of different forms of combining Singer's technical and management knowledge-centered approach to popular education with the emancipatory perspective defended by Arruda and Mance. It also implies analyzing how such consciousness is affected by how participation in the Forums contributes to improve the participants' access to public and private sources of funding, technology and know-how. The availability and accessibility of the means necessary for action depends not only on socio-economic structural factors and relevant public policies, but also on the strategies followed by the Forums to improve the access of its participants to public and private goods, namely networking and advocacy for adequate public policies.

The question of the prevention of oligarchization by the most skilled and socially better connected has to do with the organizational level of the cognitive praxis of movements, as well as with questions of institutional politics and power in their relationship with the state and other institutional sources of resources. In the case of the Solidarity Economy movement, it has to do with:

(a) What kinds of actors produce theory and methodologies of grassroots economic empowerment and implement them in the framework of the Solidarity Economy Forums;

(b) What kinds of actors define the strategies of mobilization, organization and deliberation within the Solidarity Economy Forums;

(c) The attributed roles and power dynamics between different kinds of actors within the Forums;

(d) What kind of actors negotiate resources with the state and other institutional donors on behalf of the Forums and their institutional and individual participants;

(e) The power dynamics that are established between the Forum representatives, the state and other institutional donors in the framework of such negotiations.

McCarthy and Zald (1987) claim that social movements do not arise "spontaneously" from the masses. Instead, they emerge when an elite class has access to the material and symbolic resources needed to mobilize a group. Because of that, popular discontent and normative frameworks may be created and manipulated by "issue entrepreneurs" trying to form social movement organizations for personal gain. Their argument follows the lead of other social scientists following a methodological individualism and rational choice-based approaches, which claim that the complexity involved in managing collective human activities requires a specialized division of labor and a concentration of decision-making power in the hands of the most technically prepared. Such concentration necessarily works against economic and organizational democracy.

Von Mises (1922) argued against the feasibility of socialism based on the superiority of market-defined prices to government bureaucracy in the

identification of preferences and allocation of resources. Michels claimed that a society without classes is not possible, due to problems of coordination. The larger the amount of social wealth in a national political economy, the more it is necessary to have an extensive bureaucracy to properly administrate it (Michels, 1993: 122). Since a bureaucracy is hierarchically organized to achieve efficiency, there will be a tendency for concentrating power in the hands of a few. The author claims that, the larger and more complex an organization gets, the more necessary is to have a specialized division of functions. As a result, size and specialization makes it increasingly difficult to have direct democracy, as it creates a need for a concentration of decision-making power in the hands of managers with leadership abilities who can ensure the coordination of a myriad of differentiated functions. In this study of socialist political parties and labor unions in early 20th-century Europe, Michels (1993) pointed out that bureaucratic elites tend to use all means necessary to preserve and further increase their power, even in cases when they have a democratic/egalitarian ideology and provisions for mass participation. That happens because, as Michels points out, the increased anonymity and decreased reciprocal social control among members that result from organizational growth and specialization makes it easier for the most skilled and better endowed with resources to submit the other members to his/her will. Another argument that Michels, and later Nove and McCarthy and Zald, presented as a factor leading to the inevitability of oligarchy is that, due to personal disposition, time constraints and differences in knowledge and social skills, not all members of an organization are equally interested in participating actively in decision-making. As a result, many of

them prefer to "free ride" and allow someone else to act for them while taking in the benefits (Nove, 1983: 220-1; McCarthy & Zald, 1987; Michels, 1993: 116-7).

Lipset, Trow and Coleman were less pessimistic than Michels regarding the possibility of containing oligarchy in organizations, especially in those with a democratic/egalitarian ideology and provisions for mass participation. In their study of the International Typographic Union (1956), they found out that, despite the presence of a specialized division of labor, hierarchy and leadership, the Union was able to control oligarchy due to the existence of factions which where willing to expose the misdoings of one another, therefore decreasing corruption, concentration of power and contributing to keep base members informed about and involved in the management of the organization. These factions ensured a system of checks and balances that ensured the rotation of leadership functions, the social control of leaders and the maximization of equity in the representation of the interests of all members. Besides, the fact that most members shared a middle-class background facilitated communication and decision-making.

Analyzing the mechanisms which contribute to containing the "Iron Law of Oligarchy" within the Solidarity Economy Forums implies analyzing the internal rules and mechanisms that prevent the direct domination of agenda setting and decision-making by technicians from NGOs and SMOs, as well as indirect control by the state, other institutional donors and political parties. It also implies analyzing the institutional mechanisms that ensure the equitable participation of workers and the inclusion of their interests in agenda-setting and decision-making mechanisms. Besides, it also entails delving into the political socialization

mechanisms that decrease the tendency for free riding by promoting their willingness and ability of participating fully and sustainably in the activities of the Forums. Such political socialization includes not only activities of popular education, but also the participation in deliberation within the Forums, as well as other movement-related activities such as fairs, workshops, protests and advocacy initiatives. Besides looking at institutional mechanisms, it is also necessary to look at the networks that connect Forum participants to the state, political parties, labor unions and other social movements, so as to understand if and how these social formations either contribute to their efficiency or if, on the contrary, circumvent them and promote the domination of the Forums by a certain group of actors.

Elaborating a Solidarity Economy theory of action implies a combination between the institution-centered approach developed by Singer, Arruda and Mance and a methodological individualism, so as to understand the impact on individual choices of the behavior of civil society organizations and the state. It also implies the analysis of such interaction at three levels:

(a) Micro – within the firm;

(b) Meso – Interactions between the firm, NGOs/SMOs, Forums and the state;

(c) Macro – Interactions between the Forums and the state.

Conclusions

This chapter addresses what Eyerman and Jamison (1991) would refer to as the "cosmological level" of the cognitive praxis of the Solidarity Economy movement, meaning the theorization that defines its worldview, historical meaning and social

mission. Paul Singer, Marcos Arruda and Euclides Mance are the Brazilian theorists whose work on Solidarity Economy can be considered paradigmatic. Their theorization is based on Marxism but includes elements of Neo-institutionalism and Systems Theory in their perspective on social change. From their theorization, one may conclude that Solidarity Economy consists in a prefigurative strategy of attainment of socialism trough the construction of networks of self-managed economic units. The authors diverge in the sense that, while Singer focuses his perspective on the promotion of self-managed practices in workers' cooperatives and their mobilization into a "classical" working-class strategy centered on labor unions and political parties, Mance and Arruda focus on the construction of grassroots self-managed networks connecting units of production, financing and commercialization with each other and with municipal governments adopting participatory institutional designs. The three authors, however, agree in the centrality of popular education in promoting these goals, although they interpret it in different ways. While Singer conceives popular education as being mainly the democratization of technical knowledge and the development of management skills among workers, Arruda and Mance conceive it mainly as a project aimed at promoting a community and environmentally-oriented ethos, as well as the emancipation of the popular classes from worldviews and practices which reproduce oppression, inequality and social exclusion. The work of Singer, Arruda and Mance contribute to what Alex Nove would call a theory of "feasible socialism" in the sense that it addresses issues of scale, specialization and conciliation between sectional and general interests that compromised the survival of "real socialism"

and continue to work against the survival of the liberal-capitalist model. They propose a reconstruction of supply chains at the local level and, instead of the elimination of the market, its regulation by local participatory political institutions according to community and environment-centered indicators of use value. The work of Arruda and Mance also contributes to a socialist theory of the state and revolutionary social formations, which according to Nove is lacking in the original work of Marx and Engels. Arruda contributes to that by arguing for the necessity of a radical decentralization of political power according to the principle of subsidiarity and the establishment of participatory institutional designs in public administration. Mance contributes to a theory of revolutionary social formations with his conception of "networks of solidarity-based collaboration" as the vehicle of structural transformation towards socialism.

Solidarity Economy theory is currently lacking a theory of action that addresses the factors that promote a sustained participation in self-managed economic units and in the deliberative Forums of the Solidarity Economy movement. Such theory, to be developed, must combine elements of cognitive praxis and resource mobilization theory, so as to understand the factors that promote the harmonization between purposive and instrumental rationality among movement participants. It also implies a combination between an institution-centered approach and a methodological individualism, so as to understand how individual participants formulate choices in response to the behavior of civil society and state-level organizations.

CHAPTER II
From faith- to expertise-directed mobilization: The promotion of cooperative entrepreneurship during the democratic transition in Brazil

Beyond Western rationality? Grassroots mobilization in the postcolonial context

Comparing processes of class mobilization in industrial and developing countries indicates that they all tend to evolve towards working class autonomy from petit bourgeois intellectuals, political leaders and labor organizers. However, the kind of elites and organizational formations upon which workers depend for the achievement of such level of class development depends on the nature of the process of industrial development that their respective societies went through and how that impacts on the formation of class consciousness. In the case of advanced industrialized societies based on the Western rational subject and where formal employment ties are the norm, the main site of formation of working class consciousness is the worker's conception of the self as citizen and subaltern participant in a social relation of production. In the case of post-colonial societies experiencing late industrialization and partial modernization in the framework of dependent development processes, formal employment ties cohabit with the informal economy, in the same way that a "Westernized" rational subject lives side-by-side with pre-modern conceptions of the self, based on ethnic or religious heritage.

Those facts make it difficult to define the working class within postcolonial societies in the same way that it is defined in the industrialized countries. It is due to that difficulty that Catholic/Marxist activists in Latin America tend to refer to "the popular classes" instead to "the working class". Not only does such a definition

acknowledge the growing fragility of the boundaries between the formal and informal economy, but it also implicitly takes into account more symbolic, culturally-based conceptions of the self, such as those based on religion, which according to Henry are "important dynamic sites of resistance" and an "unacknowledged template" for the development of a "public self" that have often been missed by postcolonial theorists such as C.L.R. James (Henry, 2009: 200-1). That is the case of Latin America, and particularly Brazil, during the third and part of the fourth quarters of the 20th Century, in which the grassroots mobilization that promoted the democratic transition was to a large extend carried out by CEBs – *Comunidades Eclesiais de Base* (Ecclesial Base Communities) and lay activist NGOs inspired by Liberation Theology. These organizations were largely responsible for the creation of CUT – *Central Única dos Trabalhadores* and PT – *Partido dos Trabalhadores*, a labor union federation and a labor political party composed by technical and political leaderships trained within Catholic/Marxist grassroots organizations. They were also responsible for the creation of grassroots income-generation projects based on worker self-management that would become the organizational embryo of the Brazilian Solidarity Economy movement.

Labor politics and cross-class alliances in industrial and postcolonial contexts

In one of his major works of the '30's, *World Revolution*, James noted that workers in the advanced industrial societies of the West and the Soviet Bloc were still dependent on three sets of elites for the realization of their autonomy from class domination and thus their full humanization. The first of these elites were

petit bourgeois intellectuals like Marx, Engels, Lenin and himself to help articulate and document the "latent socialism" of workers. The second set of elites were the political leaders of vanguard or labor parties to aid in the struggle of taking state power out of the hands of the capitalist classes. Third were the military elites that were needed to protect those countries in which socialist parties had come to power, such as the Soviet Union, from the counter-revolutionary strategies and hostilities of the capitalist societies.

In the late '40's and '50's, in works such as *State Capitalism and World Revolution* and *The Invading Socialist Society*, James reverses his earlier position on the basis of a heightened level of workers insurrectionary activity. Focusing primarily on wildcat strikes, the self-organizing activities of workers, and the unprecedented economic activities of workers in the Hungarian Revolution of 1956, James argued that the workers in the advanced industrial countries had arrived at a new stage in their development as a class and in their capacity for self-organization. At this new level, they no longer needed the three sets of elites he referred to in his earlier work. The author now saw the persistence of dominant positions for these elites in worker organizations as obstacles to the creativity and self-organizing capacity of workers. James now saw this layer of petit bourgeois technical and political leadership as superfluous and tending to its own needs and reproduction of its own class position instead of the advancement of working class autonomy. That happens because, according to the author, workers in these countries had now arrived at a point in their development and their struggle as a class, where they were capable of leading themselves and deciding on their own whether or not they

should retain alliances with petit bourgeois elites and, if so, with which one and for what purposes.

James had a totally different opinion regarding the working classes in the developing countries during the '40's and '50's. According to the author, workers in these societies were still dependent on the three sets of elites of his earlier position. In particular, they were dependent on labor union leaders and party leaders, as well as intellectual leaders like himself and his then very good friend, Eric Williams, who in the 1950's was the intellectual and political leader of the People's National Movement, which was at the time the major political force in James' and Williams' native country. Despite the state capitalist nature of this labor party and the dependent relations with workers upon which it was based, James believed that it could substantially promote the self-determination of the Trinidadian working class, as it decreased economic dependence on foreign bourgeois classes and promoted a political compromise that avoided open military confrontation with the capitalist West. With that perspective in mind, James joined the administration of Eric Williams for four years, during which he developed strategies aimed at preparing workers for the autonomy that he knew workers in the advanced countries had already achieved. Towards this end, he developed programs of popular education and exercises in self-organization within the party and its newspaper. Such initiatives were very similar to those that would later be developed by Paulo Freire in Brazil.

The Brazilian popular classes have a long history of struggle against dependent capitalist development and foreign bourgeois classes that parallel much

of that of Caribbean workers. However, in contrast to of the English-speaking Caribbean, the rise of state capitalism was largely the product of right-wing authoritarian governments that promoted an export-oriented development model that resulted in a large income gap between workers and the business-owning class, as well as between rural and urban areas. Such economic exclusion was reinforced by the path-dependent "social apartheid" that had limited the access of the largely Afro-descendent popular classes to education, health and other social rights, therefore limiting their social mobility (Buarque, 2001; Löwy, 2003). The state resorted to large-scale political and military repression to prevent elite or grassroots revolt against the status quo. As a result, the progressive sectors of the Catholic Church became the only haven of not only political opposition to the authoritarian regime, but also of grassroots mobilization of the popular classes. Such mobilization was carried out in combination with initiatives aimed at promoting the access of the largely illiterate popular classes to education, health, housing and other basic social rights.

The centrality of the Catholic Church in grassroots mobilization during the dictatorship and the following democratic transition created a pattern of elite dependence in the experience of Brazilian workers that is different from the Caribbean experience but also poses very interesting challenges and questions to James' theory of worker autonomy and liberation from class domination. The first of these come from the limits to the participatory arrangements of CEBs and the grassroots income-generation projects created by them by the reliance on elites within the Catholic Church for the purpose of popular education, technical

assistance and institutional mediation. The second comes from the creation, in the late '80's and early '90's, of new activist NGOs by progressive civil society activists who, although having experience in Catholic lay activism, wanted to go beyond the frames of action originally promoted by the Catholic church and introduce more technically and social scientifically-oriented approaches in the building of working-class economic institutions that are autonomous and self-sustaining. In what follows, I will outline the development and growth of the organizations created by these two sets of elites that have culminated in what has come to be known as the Brazilian Solidarity Economy movement. I will then return in my conclusion to the implications of the behavior of these elites for James' theory of worker autonomy.

CNBB as an "umbrella organization" for progressive activism during the dictatorship

In order to understand the role of activist NGOs in the support to worker-owned enterprises and how they fit their techno-practical agenda with purposive goals, it is necessary to analyze the influence of the normative frames and the methodologies of grassroots mobilization, popular education and economic empowerment diffused by CNBB – *Conferência Nacional dos Bispos do Brasil* (National Conference of Brazilian Bishops), who played the role of what Grugel (2000) calls "umbrella organization" for progressive activism in Brazil from the 1950's until the democratic transition. It is also necessary to understand the influence of new frames introduced during the democratic transition by activists who started out in lay Catholic action organizations and then participated in other activist circles at the national and international level. These activists kept the

normative frames diffused by the Catholic Church but sought to go beyond its methodologies of grassroots mobilization, creating for that purpose NGOs and community development projects that followed a more technically oriented and methodologically specialized approach to grassroots mobilization and economic empowerment. These new organizations diversified their sources of funding outside the realm of Catholic organizations and expanded their frames of action so as to include goals such as the promotion of economically sustainable income-generation projects, direct access to the state and other institutional partners for their beneficiaries and, in some cases, local-level economic integration. For that purpose, the new NGOs and community development projects introduced in their frames of action criteria of technical efficiency, economic sustainability and appropriation of technical knowledge and methodologies of collective action by the popular classes. European labor unions and political foundations, North American philanthropic organizations and international non-governmental development funders played a key role in supporting this process.

CNBB was founded in 1952 by social progressives, with the aim of carrying out social change in Brazil by promoting the involvement of civil society in the fight against poverty and illiteracy and the furthering of economic equality. For that purpose, it supported the creation of organizations aimed at promoting grassroots mobilization, as well as diffusing among them a common frame of action based on popular education, participatory governance and community-based self-managed economic development. CNBB became the major source of frames of organization and action for left-wing activists in Brazil during most of the second half of the 20th

century, due to its role as a safe haven of opposition against the military regime imposed by the 1964 coup d'état. As the government's "national security" doctrine branded as "terrorist" any attempt at opposing it through political action, armed or not, and imprisoned, tortured and forced into clandestinity or exile all the activists who attempted to create alternative political parties or labor unions, the Catholic Church became the only institution in which it was possible to openly carry out activities aimed at empowering the lower classes and making a critique of the economic and political status quo. That happened because of the reluctance of the authoritarian regime, during its early years when it was trying to build up its legitimacy, to openly challenge an institution with a deep cultural importance not only in Brazil but also in the whole of Latin America (Oxhorn, 1995: 12). Although the more conservative sectors of the Catholic Church supported the coup, the repression and torture of clergy and lay Catholics, especially after the coming into force of the National Security Law of 1969, became a focal point of tension between the Church and the state, leading to a united front of opposition against the government and promotion of social justice, especially in the aftermath of the Council of Vatican II (Hewitt, 1991: 17-18).

CNBB promoted the founding, also in the early 1950's, of *Ação Católica*, a federation of progressive Catholic lay action groups that would become the training ground for a future political party, social movements and NGO leaderships, including those of organizations which would later on become part of the Solidarity Economy movement. Among these groups were JOC - *Juventude Operária Católica* (Working-Class Catholic Youth), JUC-*Juventude Universitária Católica* (University Catholic

Youth), JAC-*Juventude Agrária Católica* (Agrarian Catholic Youth) and JEC-*Juventude Estudantil Católica* (Student Catholic Youth). The focus of these organizations was to promote the empowerment of the popular classes through the application of emancipatory methods of popular education, with the purpose of promoting literacy and political consciousness-raising (Fico, 1999: 30). By the end of the 1950's, these organizations were already deeply involved in rural and urban unionization (Hewitt, 1991: 17).

The Council of Vatican II and the spreading of Liberation Theology after the Puebla conference of 1968 furthered the overture of the Brazilian Catholic Church to progressive theological and organizational experiences which promoted decentralized, participatory governance and the autonomy of popular organizations against "the advance of state rationality" (Doimo, 1995: 76). The role assumed by CNBB as a "safe haven" for oppositionists to the military dictatorship installed by the coup d'état of 1964 allowed it to decentralize its governance structure throughout the 1960's and 1970's with the creation of several *Pastorais*, such as CPT - *Comissão Pastoral da Terra* (Rural Pastoral Commission) *and Pastoral do Operário* (Working-class Pastoral Action). These organizations were created with the purpose of promoting grassroots organization by providing essential social and organizing skills to the formation of lay catechists and other community leaderships, with the purpose of not only promoting grassroots participation in the general governance of church activities, but also community organizing beyond the parish level. The main instrument of the *Pastorais* was the organization of CEBs, whose organizational setup and methodology broke down the traditional monistic corporatism that

characterized Church governance. That happened by directly involving lay members of the community in educational activities, parish administration and provision of services to the community. The aim of the CEBs went far beyond the realm of religion. These parish-level participatory governance structures were set up as grassroots organizations aimed at improving local living conditions through the provision of the essential skills for community organizing, the promotion of popular education based on the methodologies developed by Paulo Freire and the development of dialogical processes based on a critical approach to social reality based on the method of "see, judge, act", employed by Liberation Theology to relate social realities to popular discourse. The ultimate goal was to mobilize the community to the improvement of local living conditions through collective organizing and political participation (Maclean, 1999: 177). Part of that mobilization happened through the incentive to members of CEBs to develop communal forms of economic production that would function according to principles of social and ecological sustainability. According to a technician from CPT Rio Grande do Sul, "CPT started working with groups of organic agricultural production in the 1980's. By working with them, we found out the need of supporting them in the search for funds, so as to improve their infrastructure."[1]

[1] This interview took place in Porto Alegre, on 03/23/09.

An NGO-centered "political economy of economic self-management"

The roots of the Brazilian Solidarity Economy movement can be traced back to the period of democratic transition, in which lay activist NGOs created by progressive sectors of the Catholic church promoted two distinct, although interconnected organizational forms aimed at promoting grassroots economic empowerment through support for the creation of cooperatively owned units of production. One of the forms is that of the PACs – *Projetos Alternativos Comunitários* (Alternative Community Projects), which are local development projects created within the framework of CEBs – *Comunidades Eclesiais de Base* (Ecclesial Base Communities). The PACs are income generation projects aimed at developing worker-owned enterprises (either individual microenterprises or more frequently in the form of small workers' associations) financed by a microcredit scheme set up by the Brazilian branch of *Cáritas*, an international Catholic NGO, which provides "rotational funds" that are jointly managed between the beneficiaries and NGO technicians. The other form is that followed by "*Projeto Esperança/Cooesperança"*[2] and *"Banco Palmas"*[3], two community development projects located respectively in the town of Santa Maria, Rio Grande do Sul and in *Conjunto Palmeiras*, a shantytown located in the periphery of the city of Fortaleza, Ceará. These projects are examples of what Melnyk (1985) would call a "cooperative community"[4], since they are based

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[2] http://www.esperancacooesperanca.org.br/

[3] http://www.bancopalmas.org/site.php

[4] In his study of the four cooperative traditions and corresponding organizational typologies (Liberal-democratic, Socialist, Marxist and Communalist), the author identifies the "cooperative community", part of the socialist tradition, as an organizational type which, although operating and interacting with a non-socialist environment, functions according to socialist principles, being opposed to

on the PACs but go beyond their methodology by promoting local development, employment and income generation through local-level economic integration, in the form of chains of production and commercialization, bound together by community-based microfinance and alternative currency schemes.

The purpose of these two types of projects is to promote not only the economic, but also the cultural and political empowerment of sectors of the population that have historically been excluded from formal schooling, technical education and other opportunities of socialization which contribute to develop their ability for economic and political self-determination. As such, they include popular provisions for participatory decision-making, as well as popular education and technical training initiatives, which are aimed at developing economically and politically empowered subjectivities, as well as what Henry, quoting Arendt (1959), calls a "public self", by transforming the agglomeration of beneficiaries into "political communities", capable of not only having a political project that

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private property and capitalist practices (p. 53). What makes this organizational type a "community" and allows it to co-exist with Capitalism without being absorbed by it is the fact that it is multifunctional, meaning that it relies on a "horizontal" integration of the production and commercialization of different goods and services. The author quotes as examples of Socialist ""cooperative communities"" those of worker co-ops in the U.S.A. and Quebec, the Mondragón system in the Basque Country and the Kibbutzim in Israel and the Ujamaa village system in Tanzania (pp. 53-78). That is one of the main features that distinguish it from cooperatives within the "Liberal-democratic tradition", which tend to offer just one kind of good or service. The other is that it has a radically egalitarian organizational ideology, as it tends to actively pursue democracy in decision-making beyond the "one member, one vote" rule by promoting the social inclusion and skills development of structurally disadvantaged groups such as women and ethnic minorities (p. 109). The main distinction between Socialist ""cooperative communities"" and the "Marxist" cooperatives created within communist governments is that they do not arise out of revolutionary political change and generally do not result from political initiatives, although they may receive support from the state (p. 53). Besides, they tend to evolve "more or less peacefully" in parallel with the mainstream capitalist economy (Op. cit).

transcends individual economic concerns, but also of self-determination in the formulation and implementation of that project (Henry, 2009: 189).

The PACs – Alternative Community Projects

The popular education and mobilization processes carried out within the CEBs led the *Pastorais* and CNBB to detect the need of launching local development projects with a strong anti-poverty component that would promote community organization and the self-management of economic activities, therefore transforming poverty into "rights to be conquered through organized autonomous action" (Gaiger, 1994: 32-4). CNBB had a fundamental role in systematizing that knowledge into a strategy centered on the promotion of community-based income-generation projects supported by "rotational funds" which were to be collectively managed by the beneficiaries. That strategy was defined at a conference organized by CNBB in 1981 on "Man and the draught in the Northeast", leading to the multiplication, throughout the 1980's and 1990's, of the PACs that, according to Paul Singer, were "the first focus of what would later be known as the Solidarity Economy movement".[5] The main focuses of implementation of these projects were the Northeastern and Southern regions of Brazil.

The purpose of the PACs is to support local development through the promotion an alternative form of production, socialization and community

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[5] Interview with Paul Singer at SENAES, Brasilia, 07/24/07.

governance to that promoted by Capitalism[6] by supporting “a different form of production, commercialization, education and provision of health services (…) with the purpose of generating a new model of relationship between labor and work.” (Gaiger, 1994: 32). Icaza and de Freitas explain the logic of the PACs in the following manner: The funds support and follow projects elaborated by the groups, associations and communities. The community decides collectively, through self-management, what to do, how to do it and for what purpose. In that sense, the PACs represent a revalorization of creativity and the promotion of strategies of survival and solidarity-based social relations that represent an “alternative to assistencialist and technicist relations.” (Icaza & de Freitas, 2006: 14-15). From this perspective, the PACs are more than mere economic development initiatives, being instead “projects of human promotion, in the sense that they do not aim merely at promoting minimal conditions for economic survival, with the purpose of remediating faults within the system (assistentialist perspective). Instead, they aim to withdraw needy populations from a situation of social exclusion (…). They aim to broaden the horizons of the individual, enlarge his/her range of social relations and, above all, make him/her feel in charge of his/her own process of emancipation.” (Op. cit.: 33).

[6] Interview with a freelance development consultant, of German nationality, formerly employed by DED, one of the German Cooperation Agencies, to work with income generation projects in Northeastern Brazil, Fortaleza, Ceará, 04/17/09.

"Cáritas Brasileira" as a national and international articulator of the PACs

Misereor, a German NGO connected to progressive sectors of the Catholic Church, has been since the beginning the main source of funding of PACs in Brazil. The funds come from the German government, as well as from private donations and campaigns made by the German Catholic Church. The funds are allocated to the PACs by *Cáritas Brasileira*, who is not part of the *Pastorais* but articulates them with national and international sources of support for their projects. *Cáritas Brasileira* was founded in 1956 by CNBB as the national chapter of *Cáritas Internationalis*, a Rome-based network of 162 Catholic organizations of social assistance, nowadays present in more than 200 countries. The first organization of the *Cáritas* network was founded in Germany in 1897.[7] From 1956 to 1968, the Secretary-General of *Cáritas Brasileira* was Bishop D. Hélder Câmara, whose role as a Human Rights activist, inspired by Liberation Theology, shaped its organizational strategy in a way that combines the provision of social assistance, which is the landmark of *Cáritas Internationalis*, with the defense and promotion of social and economic rights.[8] This activist side of the strategy of *Cáritas Brasileira* aims at promoting adequate public policies for the empowerment of the popular classes in a way that can be socially controlled by them. It also aims at promoting a model of sustainable development based on participatory and solidarity-based principles.[9]

*Cárita*s selects and manages the projects through regional committees in each diocese who share the same participatory governance structure and

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[7] www.caritas.org.br
[8] http://www.zenit.org/article-20731?l=portuguese
[9] www.caritas.org.br

methodology as the *Pastorais* and CEBs, since they are composed by NGO technicians and representatives of PACs that were previously awarded with international donor funds. These committees are generally composed of four people, including two representatives from the PACs – one rural and one urban, one technician from the regional office of Cáritas and another from a Pastoral (either of *Pastoral da Terra* or *Pastoral do Operário*). [10] Until the mid-1990's, the "rotational funds" were awarded as grants, as the funding package often included support for popular education and other organizational activities within the CEBs.

However, from the late 1980's onwards and as a result of a new strategic orientation in the German development aid policy, *Misereor* changed its criteria for project funding in a way that transformed the "rotational funds" into a microcredit scheme. Beneficiaries were expected to return 100% of the funds with an interest rate of 3% if they intended to start a microenterprise that would be their main source of income, and 30% if the income generation project was intended to complement other sources of revenue. *Misereor* claimed that this was a pedagogical measure that would promote the overcoming of assistentialism by promoting responsibility and autonomy among members of the PACs. This measure was also supposed to promote community and inter-community solidarity, as it would promote the development of sustainable projects that would become references for "best practices" which could be shared with other groups. (Bertucci & da Silva, 2003: 28-29).

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[10] Interview with a technician from Cáritas – Rio Grande do Sul, in Porto Alegre on 09/25/09.

From then onwards, there was a growing concern with selecting projects for funding that already showed a potential for economic viability and production of endogenous financial resources in the medium term. In 1997, *Misereor* stated that it would from now on only support projects that were integrated into a larger process of organization and mobilization that would have a systematic follow-up by an NGO or social movement organization. Besides, these projects should have the potential for productivity and economic sustainability in the short to medium terms. Besides, they should also have the potential of serving as a "best practice" for the creation of other similar initiatives. Funding would from then onwards only be allocated on a complementary basis and as a support to the raising of funds from other public and private sources. (Bertucci & da Silva, 2003: 24). *Cáritas Brasil* questioned these new criteria throughout their negotiation, to the point that an articulation of PACs from the north and northeastern states, supported by FASE, suggested a set of alternative criteria that was supposedly more in line with the social and economic constraints experienced by grassroots income generation projects in these regions. However, *Misereor*'s position ended up prevailing over that of *Cáritas Brasil*. The coming into force of more selective rules didn't mean that the PACs became economically and institutionally more sustainable. In fact, it furthered their financial fragility and threatened the organizational survival of many as they struggled to adapt to the new criteria of access to the funding (op. cit.: 25).

Political and economic limitations of CEBs and PACs

Despite their empowering aspects in regards to participatory governance and the promotion of popular leaderships, CEBs and PACs suffer from major limitations as a methodology for promoting collective action and grassroots income genetation in an effectively transformative way. The political limitations of the PACs stem from institutional barriers for popular leaders emerging from the CEBs to fully exercise their leadership potential within these groups. These barriers are the economic and politically "local-oriented" nature of the PACs and their reliance upon an external actor – *Cáritas* - as an institutional mediator. Despite all the efforts put into processes of popular education, political consciousness raising and the promotion of leadership skills and community organization, the fact that the emerging popular leaders are not members of the clergy is a barrier to their exercise of autonomous leadership within the CEBs and PACs, especially in regards to the establishment of strategic lines of action. As a result, these projects remain dependent upon the institutional interests of the Catholic Church. Their capacity for community mobilization is also intrinsically dependent upon the theological and political inclinations of parish clergy, as well as their linkage to the diocese. There must be a coincidence between the leadership of progressive clergy members at the parish level and the existence of a progressive bishop. The capacity of the CEBs for community mobilization is harmed when the bishop does not align with progressive views or when more conservative clergy members replace progressives at the parish level (Maclean, 1999: 190; Bertucci & da Silva, 2003: 32-3).

CEBs and PACs are also limited in their capacity to promote sustainable, wide-reaching collective action by the fact their methodology of community mobilization and economic organization is geared towards the local level. That happens despite the fact that in Brazil they are far better articulated with the upper hierarchy of the Church at the national level than in countries like Nicaragua, where a political disjuncture between the upper and lower echelons of the clergy was one of the factors leading to the involvement of some CEBs in the guerrilla movement leading to the Sandinista revolution (Hewitt, 1991: 27).

Maclean, in his study of political discourse among the CEBs in Brazil during the 1980's and 1990's, noticed a distrust of state and national-level articulations, especially in the form of labor union or party politics, which were seen as elitist, corrupt and a form of cooptation of grassroots activism (Maclean, 1999: 190-1). This conclusion is shared by Gaiger who, in his study on the PACs in Rio Grande do Sul, noticed a lack of articulation with other organizations beyond *Cáritas,* resulting from a lack of interest in collaborating with other organizations outside the Catholic Church, as well as a lack of larger and consistent popular and working-class base groups beyond the community level (Gaiger, 1994: 32-4). This lack of articulation, together with the dependence upon the leadership qualities of the clergy and the resulting volatility in the nature and quality of community mobilization, make it very difficult to move from "a prophetic and provisional role" to more institutionalized forms of collective actions which could be more easily coordinated beyond the local level (op. cit.: 189).

The difficulties CEBs and the PACs have been experiencing in promoting transformative collective action are enhanced by the economic and organizational fragility of most PACs. For Gaiger, the main goal of PACs is not economic but political, since these income generation projects are regarded as the material basis of support to processes of community organization through popular education, consciousness-raising and emergence of community working-class leaders. These organizational results of the PACs are regarded as being as important, if not more, than their economic outcomes. According to Gaiger, this constitutes the fundamental weakness of the PACs, as they aim to break with the assistencialist model without having "a clear vision of the necessary conditions for the implementation of a completely different model." (op. cit.) The result is that they end up supporting the production of goods that are not indispensable for the material and social life of communities, leading to difficulties in their commercialization, therefore threatening the medium and long-term financial sustainability. Gaiger claims that, in many cases, there was never the goal of reaching a level of regular production and commercialization that would promote the self-sustainability of the project, as the purpose was just either to guarantee minimal conditions of survival in the short term or to create a source of complementary income for the household that would easily be dropped when no longer necessary (op. cit.).

The economic difficulties that PACs experience are also to some extent a result of the "reduced value of the credit allocated to each project and the short periods of amortization, which make it impossible to use this resource for investment, limiting the application of loans to the financing of cash flow" (Bertucci

& da Silva, 2003: 23). Besides, there is a lack of financial instruments that could promote an effective diffusion of "best practices", as well as an integration of productive units in supply chains within and beyond the community level (Bertucci & da Silva, 2003: 24). These limitations make it difficult for members of PACs to access the know-how and the resources needed, for such difficulties are also enhanced by the increase in the importance of technical aspects in the selection and management of PACs projects.

Further, even if the decision-making on what projects to support and the management of the "rotational funds" happens with the participation of beneficiaries, the growing importance of technical criteria in the governance of PACs indicates that the actual influence of representatives of popular groups in such processes might have decreased in comparison to that of technicians, despite attempts by Cáritas to "subsidize" the technician role by training beneficiaries of the PACs to become multiplying agents of the PACs methodology (Icaza & de Freitas, 2006: 131-3). Besides, the negotiation with international donors of the amount of funds to be attributed to each region, as well as the criteria of attribution, is made solely by technicians from Cáritas and the *Pastorais*.[11]

It is clear that the methodology of grassroots mobilization carried out by the Catholic Church during the democratic transition had significant economic and political limitations that constrained its ability to promote transformative collective action beyond the local level. However, it allowed for the development of forms of

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[11] Interviews with a technician from CPT in Porto Alegre, on 03/23/09 and a technician from Cáritas – Rio Grande do Sul, in Porto Alegre on 09/25/09.

lay activism which, capitalizing upon the participatory, collectivist and self-managing model of grassroots governance promoted by the CEBs and the PACs, broke with the political isolation resulting from their "local-oriented" logic and promoted regional and national-level mobilization with a transformative potential.

One of the major examples is that of the NGOs created by militants of *Ação Católica*. The other one is that of the MST – *Movimento dos Trabalhadores Rurais sem Terra* (Landless Workers' Movement), founded in Rio Grande do Sul in 1983. Although it stems from CEBs and has been supported since the beginning by *Comissão Pastoral da Terra*, it emerged thanks to the role of a charismatic lay leader (João Pedro Stédile), a top-down mobilization and organizational strategy that applied a set of clearly defined principles to each local unit and a high degree of institutionalization at the regional, state and national level. In 1989, it created CONCRAB – *Confederação Nacional de Cooperativas de Reforma Agrária do Brasil* (National Confederation of Cooperatives of Agrarian Reform), an institutional body that regulates the functioning of agricultural cooperatives within MST settlements and provides technical assistance to their functioning. CONCRAB and its affiliated cooperatives follow the federal law number 5.764 of 1971, which regulates the functioning of formally constituted cooperatives in Brazil. However, CONCRAB included innovations in its regulations, aimed at promoting organizational democracy within its affiliated cooperatives, through the decentralization of their bureaucratic functioning and the establishment of deliberative decision-making councils at the basic and intermediary levels of management (Dal Ri, 1999: 22). Those regulations are complemented by the provision, in partnership with activist

NGOs, of courses and workshops on cooperative management according to a methodology that combines theoretical with experiential learning. The courses and workshops take place in the cooperatives' own premises and use situations experienced by the members in their everyday productive activities as the base of the learning process (op. cit.: 23).

Local-level economic integration: An antidote to the limitations of the PACs?

The support given by *Cáritas* to the CEBs and PACs also prompted the development of forms of lay activism that tried to overcome their intrinsic economic limitations by integrating them in community development projects based on local-level economic integration. The two major examples are *Projeto Esperança/Cooesperança* and *Banco Palmas.*

Projeto Esperança/Cooesperança was created in 1987 by the Diocese of Santa Maria and is the result of a combination between a microcredit scheme directed at rural and urban micro entrepreneurs (*Projeto Esperança*) and a retailing cooperative composed by its beneficiaries (*Cooesperança*). The microcredit scheme represents the internalization into the community level, through participatory mechanisms, of the management of the "rotational funds". The retailing cooperative promotes the direct commercialization of the products of rural and urban beneficiaries through the regular organization of fairs in the town of Santa Maria. These initiatives count on the participation of national-level social movements that are active in the region, namely the MST – *Movimento dos Trabalhadores Rurais Sem Terra* (Landless Workers' Movement) and MPA – *Movimento dos Pequenos*

Agricultores (Subsistence Farmers' Movement). They contribute to the articulating of its participants with workers and activists of other parts of the state and country, as they include the regular organization of state, national and international level fairs. In these events, commercial activities happen concomitantly to conferences and workshops on issues related with entrepreneurship in the popular sectors and urban and rural worker mobilization.

The microcredit scheme and the retail cooperatives are complemented by the regular provision, by the *Cáritas* team, of technical assistance in the form of workshops, training seminars and individual consultations on self-management in worker-owned units of production, as well as technical issues related with rural and urban production. *Projeto Esperança/Cooesperança* is collectively managed by its beneficiaries through a participatory governance assembly in which they meet with the *Cáritas* team to discuss financing, the organization of the fairs, technical assistance and participation in state and national-level social movements. Although *Cáritas* and *Misereor* have been the main supporters of *Projeto Esperança/Cooesperança* since the beginning, the creation of SENAES in 2003 allowed it to have a new significant source of funding, this time in the form of public resources.

"Banco Palmas" goes beyond "*Projeto Esperança/Cooesperança"* in terms of local-level economic integration, in the sense that it combines locally managed microcredit, a local-level commercialization scheme and the provision of technical assistance to producers with local-level participatory economic planning aimed at identifying needs and matching them with local-level production. It also combines

these functions with the partial internalization of the production of the means of economic exchange in the form of a local currency and credit card, used for the purchase of goods and services produced within the community. *Banco Palmas* was founded in 1998 as the result of 20 years of community mobilization for adequate housing, health, education and transportation infrastructure in *Conjunto Palmeiras*. The mobilization was carried out by the local neighborhood association, created by CEB activists with the support of *Cáritas, Misereor* and FASE – *Solidariedade e Educação*, a lay NGO created by militants of *Ação Católica*. During the last decade, *Banco Palmas* has been enlarging and diversifying the range of its institutional supporters, which nowadays include, among others, European secular NGOs such as OXFAM, international foundations for social entrepreneurship and sustainable community development such as the Netherlands-based Strohalm[12], the US-based Ashoka Foundation for Social Entrepreneurship[13], Brazilian universities and public administrations at the municipal and state level. It also includes the microcredit program funded by the FAT – *Fundo de Amparo ao Trabalhador* (Workers' Support Fund.[14]

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[12] http://www.socialtrade.org/
[13] http://www.ashoka.org/

[14] http://www.mte.gov.br/fat/historico.asp , also
http://www.bndes.gov.br/SiteBNDES/bndes/bndes_pt/Institucional/BNDES_Transparente/Fundos/Fat/index.html
FAT is the financial mechanism of the Brazilian Ministry of Labor that funds the Unemployment Insurance Program and the Programs of Economic Development through Income and Employment Generation: PROGER – *Programa de Geração de Emprego e Renda* (National program of Employment and Income Generation) and PRONAF – *Programa Nacional de Fortalecimento da Agricultura Familiar* (National Program of Strengthening of Family-based Agriculture). These programs were created in 1994 and 1995 respectively. Their funding is regulated by the federal law nr. 8.352 of December 28 1991. Their purpose is to support grassroots income generation through the provision of credit, technical assistance and skills development training to micro and small enterprises, as well as

These projects aimed to address the inherent economic limitations of PACs by providing an easier and more democratic access to funding, as well as promoting the sustainability of income-generation projects by providing a more direct access to technical assistance, as well as facilitating commercialization through the regular organization of fairs and other similar venues. In the case of "*Banco Palmas*", the promotion of commercialization included participatory economic planning aimed at matching local-level production with community needs. However, comparing the experiences of *Projecto Esperança/Cooesperança* and *Banco Palmas* shows that local-level commercialization is easier when the beneficiaries of the project produce mainly first necessity goods, namely foodstuffs, and hygiene products as a low-income population will have a preference for allocating most of its disposable income in their purchase. (Icaza & de Freitas, 2006: 72-95). In the case of *Banco Palmas*, there have been constant attempts to plan for and promote the local production of first necessity goods, despite difficulties in finding available fertile land with proper fencing in the shantytown (Neto Segundo & Magalhães, 2008: 58). This was a way of not only promoting community self-sustainability and food security, but also to compensate for the fact that most manufactured products produced by low-income artisans tend to be decorative, being therefore placed low in the hierarchy of needs of the urban poor. They also tend to be produced with

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cooperatives of workers, producers and service providers both within the formal and the informal economy. The credit resources are allocated in the form of a microcredit program, managed by BNDES – *Banco Nacional de Desenvolvimento Económico e Social* (National Bank of Social and Economic Development) and allocated by publicly owned savings and credit banks: *Banco do Brasil, S/A, Caixa Econômica Federal, Banco da Amazônia* and *Banco do Nordeste*, who allocates the funds in Ceará and the other states in the northeastern region of Brazil.

rudimentary technology, leading low productivity and low added value. That makes it difficult not only to commercialize them within the community, but also to develop viable commercialization strategies in larger markets, as outside commercialization tends to be easier for agricultural products and foodstuffs. (Neto Segundo & Magalhães, 2008: N-16, F-16, 98-9). Icaza and de Freitas noticed similar problems among urban participants of *Projeto Esperança/Cooesperança*, who tend to experience more difficulties in the commercialization of their manufactured products than their rural, being therefore less likely to remain in worker-managed production units and sustain their participation in the project in the long run (Icaza & de Freitas, 2006: 127).

The difficulties in balancing supply and demand and promoting the sustainable commercialization of goods produced by participants of these two projects prevent the "systemic feedback" processes identified by Mance (2002: 24-5) to happen in a way that would promote the economic and financial autonomy of these projects (Bertucci & da Silva, 2003: 21; Neto, Segundo & Magalhães, 2008: K-16). Such difficulties become even more acute given the fact that these projects of local-level economic integration lack the sustainable participation of professionals who can offer services such as law and medicine. The providers of these services normally gather in middle-class areas and have no incentive to participate in these communities other than a possible political ideology or personal engagement in the pursuit of social justice (Neto Segundo & Magalhães, 2008: V-16). Besides, the informality that tends to characterize most worker-owned units of production tends to reduce their economic opportunities and make them dependent on skilled

negotiators endowed with a high degree of technical knowledge, political contacts and negotiation skills for access to resources. In "*Banco Palmas*" and "*Projeto Esperança/Cooesperança*", those negotiators are charismatic leaders who founded these projects thanks to their role in the communities and their connections to social movement organizations. Such dependence and concentration of power in the hands of skilled negotiators decreases the impact of participatory mechanisms in decision-making processes, therefore preventing the complete fulfillment of their potential for direct democracy community self-management.

"Ação Católica" and the creation of FASE

The Ecclesial Base Communities led to the creation of the PACs and community-based projects of economic integration, as well as the emergence of agrarian reform movements such as the MST and MPA. *Ação Católica* focused its contribution on the emergence of urban civil rights and identity-based movements, as well as community development initiatives centered on neighborhood associations. This organization also contributed to the creation of rural and urban labor unions that contested those supported by the military government, therefore contributing to the emergence of CUT – *Central Única dos Trabalhadores* and PT – *Partido dos Trabalhadores* (The Worker's Party). The prominence assumed by CNBB as a haven of progressive activism previous to and during the military dictatorship allowed for the creation and expansion of FASE – Solidariedade e Educação, an NGO founded in 1961 with the support of funds from European (mainly German and Italian) Catholic organizations, "in a context of dispute between the Catholic Church

and the Communists" for grassroots mobilization. [15] It was created by activists from *Ação Católica* as an agent of grassroots mobilization, with the goal of promoting local development based on associational initiatives.[16] FASE is headquartered in Rio de Janeiro and currently has delegations in Bahia, Pernambuco, Espírito Santo Santo, Mato Grosso and Pará. Its initial strategy was to focus on the development of workers' associations and cooperatives. However, the military coup d'état of 1964 led to a strategic reorientation towards the support to labor unions that opposed the government, as well as Ecclesial Base Communities in their struggle against poverty, child labor and social inequality. Throughout the 1970's, it provided support to the unionization of rural workers in the northern and northeastern states, as well as of construction and metal workers in urban areas of the southeast, therefore contributing to the founding of "*Central Única dos Trabalhadores*" (CUT) in 1980 and of "*Partido dos Trabalhadores*"[17] (PT) in 1983. It also supported the emergence of neighborhood associations throughout the country. In all these focal points of activism, it contributed to the training of popular leaders and their connection in networks that crossed regional barriers. This process of training and networking of popular leaders was fundamental in preparing the grassroots mobilization that promoted the democratic transition, namely the movements towards *Amnistia*

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[15] Interview with Cunca Bocayuva, current coordinator of FASE, which took place at its headquarter in Rio de Janeiro, on 02/18/09.

[16] http://www.fase.org.br/v2/pagina.php?id=10

[17] Translation: The Workers' party

Política (Political Amnesty) in 1979, direct elections in 1984 and the new constitution in 1988.[18]

With the purpose of deepening the democratic transition, FASE developed, throughout the 1980's and 1990's, a series of participatory action research projects, educational methodologies and materials aimed at promoting popular participation in politics in urban and rural areas through the formation of "social collective subjects". Besides, it also followed a strategy of establishing partnerships with public administrations for the purpose of implementation of social services and project evaluation, as well as with universities for participatory action research initiatives.[19] The main areas of intervention since that period have been social and environmental sustainability in development and the promotion of public policies aimed at promoting racial, ethnic and gender equity, as well as the recognition and effective exercise of economic, social and cultural rights. FASE was instrumental in the emergence of MST, of the movement of neighborhood associations, as well as the women's and the Afro-Brazilian movement. It was also a key player in the process that led to the creation of CUT, as well as of affiliated labor unions such as CONTAG – *Confederação Nacional dos Trabalhadores da Agricultura* (National Confederation of Rural Workers). It also developed a program of technical and political support to labor unions, especially in the organization of strikes, of electoral lists for labor representation in factories and the building up of professional and political

[18] http://www.fase.org.br/v2/pagina.php?id=10
[19] http://www.fase.org.br/v2/subindex.php?id=10

education programs for workers, through the support to the creation of the so-called "*escolas sindicais*" (labor union schools).

Between the mid-1980's and mid-1990's, FASE developed a dialogue with labor unions on the question of labor precariousness, equipping "labor union schools" to help unemployed and underemployed workers to develop income-generation alternatives in the form of microenterprises. During that period, FASE also developed, in the mid-1990's, in collaboration with the Ministry of Labor and FINEP – *Financiadora de Estudos e Projetos* (Public Department of Support to Research and Development) the "Sistema Geração", a database on the characteristics of micro, small and cooperative enterprises developed in the framework of PROGER and PRONAF, as well as on the social and economic determinants of their economic sustainability. The purpose of this database was to inform the government and civil society organizations on the actual results of PROGER and PRONAF, with the purpose of improving their capacity to generate economically sustainable enterprises among the popular classes.[20]

In the early '00's, FASE became an active participant in networks and forums at the local, national and international level aimed at promoting alternatives to neoliberalism.[21] According to Cunca Bocayuva, this progressive involvement of FASE with regional, national and international mobilizations since the 1980's coincided with a process of organizational "secularization". That happened through the contracting of technicians that were not "trained" by organizations related with the

[20] Interview with CUNCA Bocayuva at the headquarters of FASE, Rio de Janeiro, 02/18/09.
[21] Idem

Catholic Church and varying its sources of funding by including other international donors than GTZ, DED and those European Catholic civil organization that initially supported them, such as *Misereor, Brot fur die Welt and ICCO* (Dutch international development NGO). Among the new donors were political organizations such as the Rosa Luxemburg and Henrich Böll foundations, Oxfam/Novib and the Ford Foundation.

The creation of new lay NGOs during the democratic transition

The Political Amnesty law of 1979 and the consequent return to Brazil of exiled activists and progressive intellectuals coming out of the ranks of *Ação Católica* led to the creation, with the support of international donors, of new lay activist NGOs that promoted the mobilization of income-generation initiatives among the popular classes at the regional and national level. One may identify three differentiated categories among these NGOs, which differentiate themselves according to the sort of technical assistance they provide to grassroots organizations and social movements. [22]

One category is closer to the original frames of Catholic activism that adopts a community-centered approach to technical assistance, specializing in the Freirean method of popular education and grassroots mobilization and acting as a sort of "incubator" of social movements and community-based organizations. This category

[22] In the following listing, I chose to include only the NGOs that will be referred to in the analysis of the emergence of the Solidarity Economy Forums of the states of Rio de Janeiro and Rio Grande do Sul, as well as of "GT-Brasil,", the World Social Forum working group of organizations that led to the creation of FBES and SENAES.

includes CEDAC – *Centro de Ação Comunitária* (Center for the Promotion of Community-based Action)[23], CAMP – *Centro de Assessoria Multiprofissional* (Center for Multi-professional Technical Assistance to Social Movements)[24] and CAMPO – *Centro de Acessoria ao Movimento Popular* (Center for Support to Popular Mobilization)[25].

Another category follows a firm-centered approach to technical assistance to entrepreneurial initiatives among the popular classes, developing for that purpose what is known within the movement as "social technologies"[26], meaning techniques of production, management and commercialization that are adapted to the socio-economic and cognitive conditions of low-income groups. The aim of "social technologies" is not only to promote the organizational sustainability of cooperatives and associations of producers, but also to make sure that it happens in a way that promotes the development of empowered subjectivities among their members. This category of NGOs specializes in the transmission and democratization of know-how related to production, the development of management skills and the support to commercialization. This category contributed to an expansion of the practice of popular education from political consciousness-raising through the promotion of literacy, leadership skills and community

[23] www.cedacnet.org.br
[24] www.camp.org.br
[25] www.campo.org.br
[26] This term is widely used not only by this category of NGOs, but also by universities engaged in participatory action research projects with cooperatives and associations of producers in the popular sectors. The term has also been adopted by Banco do Brasil, a state-owned bank that has several programs of promotion of entrepreneurship among the popular sectors and has created an annual contest to award the most effective social technologies.

organization based on what Wainwright (1993) calls the "local" or "tacit" knowledge[27] of communities to one that integrates this approach in a more technically-based praxis that democratizes technical knowledge related to production and commercialization, but also what one may call "techno-political knowledge", meaning knowledge on the functioning of the state bureaucracy and how to interact with it effectively. Among this group, one may include CAPINA – *Cooperação e Apoio a Projetos de Inspiração Alternativa* (Cooperation and Support to Alternative Development Projects)[28] IDACO – *Instituto de Desenvolvimento e Ação Comunitária* (Institute for Development and Community-based Action)[29] and ASPLANDE – *Assessoria e Planejamento para o Desenvolvimento* (Technical Assistance and Planning for Development).[30]

A third category adopts an institutional mediation-centered approach to technical assistance, specializing in the promotion and support to civil society

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[27] Wainwright argues that this kind of knowledge is geographically and culturally bound, being non-codifiable, since it is based on the accumulated experience of specific groups and built upon insights that cannot be fully understood outside their particular circumstances of time and place. Previous to Wainwright, Borkman framed this kind of knowledge as being "experiential" and differentiated it from "professional knowledge" on the grounds that is a "truth based on personal experience with a phenomenon" (Borkman, 1976: 445). Bourdieu classified this kind of knowledge as being "phenomenological", since it aims to "make explicit the truth of primary experience of the social world", meaning that experience "that is inscribed in the relationship of familiarity with the familiar environment" (Bourdieu, 1977: 3). Other authors have called it "local knowledge" (e.g. Geertz, 1983; Pearce, 1993; Fischer, 2000). Scott (1998) refers to it as "practical knowledge" or "Métis", and argues that it is not "merely the specification of local values (such as the local mean temperature and rainfall) made in order to successfully apply a generic formula to a local case" (p. 319). It is a kind of "non-expert" knowledge that is based on the contextualization of facts according to empirical perception, while scientific reasoning relies on de-contextualization, abstraction and generalization. The author partially disagrees with Wainwright in that he believes that "practical knowledge" or "Métis" is based on the codification of practical, contextualized experience (p. 330). The main point that differentiates it from "technical" or "expert" knowledge ("Techné, according to Scott) is that it is contextually bound.

[28] www.capina.org.br

[29] www.idaco.org.br

[30] www.asplande.org.br

mobilization through participatory action research, diffusion of information on public policies, political mediation for community development organizations, as well as the organization of information and advocacy campaigns involving previously constituted social movements and other organizations in the public and private sector. This group includes *IBASE – Instituto Brasileira de Análises Sociais e Económicas* (Brazilian Institute of Social Analysis and Economics)[31]*, and PACS – Políticas Alternativas para o Cone Sul* (Alternative Policies for the Southern Cone).[32]

The return of labor activists Irony and José Domingos "Ferreirinha" Cardoso, sociologist Herbert "Betinho" de Sousa and economists Marcos Arruda and Carlos Afonso from exile soon led to the creation of, CEDAC, IBASE and PACS. Prior to their exile, all these activists had been collaborating with organizations of *Ação Católica* such as JOC (as in the case of Irony and José Domingos "Ferreirinha" Cardoso), JUC and JEC (as in the case of Marcos Arruda and Herbet "Betinho" de Sousa, who was also one of the founders of *Ação Popular*, a socialist humanist movement formed by members of *Ação Católica* that sent militants to factories and rural communities to promote adult education and grassroots mobilization). CEDAC, IBASE and PACS were soon joined by other organizations founded by militants of *Ação Católica*, such as CAMP, CAPINA and ASPLANDE.

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[31] www.ibase.org.br
[32] www.pacs.org.br

Community-centered NGOs following the Freirean method of popular education

CEDAC was founded in 1979 in Rio de Janeiro by militants of *Ação Católica*, with the support of progressive Catholic organizations in France and Belgium, including the CFDT – *Confédération Française Démocratique du Travail* (French Democratic Confederation of Labor), a Christian Socialist confederation of labor unions that provided support to exiled members of the Brazilian "oppositional" labor movement that would some years after create CUT. One of them was "Ferreirinha" whom, upon his return to Brazil with his wife, who became president of CEDAC, coordinated his activities within this institution with that of leader of Metal Workers' Union of Rio de Janeiro. As a result of this engagement, "Ferreirinha" became one of the founders of PT in 1980 and CUT in 1983. He was also responsible for bringing CUT to the state of Rio de Janeiro. (CEDAC, 2004: 12, 18).[33]

Throughout the 1980's and 1990's, CEDAC had two major fronts of action, one of them being the support to mobilization activities in disadvantaged communities, with the purpose of organizing them politically and promoting their access to public goods, and the other consisting of technical and political support to the labor union movement. The first form of action included the organization of income-generation projects in the northern periphery of Rio de Janeiro into the AGP - *Associação dos Grupos de Produção Comunitária* (Association of Community-based Production Groups), aimed at promoting their access to pubic resources and facilitating the commercialization of their products (SACTES/DED &CEDAC, 1996). AGP was initiated in 1985 by women belonging to "Mothers' Clubs" from CEBs in

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[33] http://www.ccfd.asso.fr/

the northern periphery of Rio de Janeiro, an area strongly affected by unemployment resulting from industrial restructuring. At the time, CEDAC was offering workshops on hygiene, health and food security for those "Mothers' Clubs".

The participants challenged CEDAC to help them to use their food production and handicraft skills to create their own self-managed sources of income. CEDAC supported the transformation of their organization into informal associations of producers. It also supported the creation of AGP as a formal "umbrella organization" that promoted the collective purchase of equipment and raw material for it members, as well as the commercialization of their final products. It also promoted the access of these groups to public and private credit lines aimed at the support of micro and small enterprises. CEDAC provided technical assistance and training to the affiliated associations of producers. AGP was formally registered in 1988 as a non-profit association. By 1996, AGP comprised 23 associations and a total of 283 regular participants (op. cit.: 13). It ended up being dissolved in the late 1990's, as most of its affiliated associations have by that time ceased to produce due to not being able to produce enough revenue to remain economically sustainable.[34]

CAMPO was founded in Rio de Janeiro in 1987 by CEB militants with the purpose of supporting the development of educational institutions, community-based centers of professional training and income-generation projects, in the framework of a strategy of promotion of grassroots mobilization and political consciousness-raising according to the methods developed by Paulo Freire. CAMPO

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[34] Interview with a CEDAC technician, 08/03/09.

counts on *Misereor* and other European Catholic organizations among it major institutional supporters, as well as on lay NGOs such as Actionaid.[35]

CAMP was founded in Porto Alegre, Rio Grande do Sul in 1983 by a group of young clergy members and CEB activists, labor union affiliates and activists from urban and rural social movements (CAMP, 1998: 3). From the beginning, it has been a close collaborator of *Cáritas* in the provision of technical assistance and institutional mediation to CEBs, PACs and related projects. Its main sources of funding are international Catholic NGOs: *Misereor*, Christian Aid, Trocáire and Development and Peace, the Canadian Catholic international development agency[36]. The purpose of CAMP is to provide technical assistance to community organizations and social movements through the use of the popular education methodology developed by Paulo Freire. CAMP does it in a way so as to promote the autonomy of social movements through the internalization of the function of popular educator, community organizer and institutional mediator by their members. Like CEDAC, CAMP collaborated in the foundation of CUT. It also helped to found the MST, the National Anti-dam Movement, the Union of Neighborhood Associations of Porto Alegre and the Federation of Community Associations of Rio Grande do Sul. One may consider that CAMP has acted as an "incubator" of social movements during the democratic transition, to the extent that the headquarters of the MST were located at CAMP's office in Porto Alegre before they moved to the movement's own independent premises in São Paulo (CAMP, 1998: 7).

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[35] http://www.actionaid.org/
[36] http://www.devp.org/

NGOs with a firm-centered approach to technical assistance

CAPINA was created with the specific purpose of providing a firm-centered assistance to the economic initiatives of the popular classes. CAPINA was founded in 1988 in Rio de Janeiro by a group of engineers and other technicians whom, although having a history of militancy in Catholic lay action organizations, wanted to go beyond the methodologies diffused by the Church by combining political consciousness-raising with the technical development of entrepreneurial initiatives of the popular sectors. CAPINA specialized in giving technical assistance on management and commercialization to rural and urban cooperatives of workers, producers and service providers, as well as NGOs and government departments in more than 20 states in Brazil. Since 2003, CAPINA has been responsible for the regular organization of workshops on economic viability and self-management in cooperatives of workers, producers and service providers. These workshops have been serving as a training venue for technicians from NGOs, SMOs and government departments working with Solidarity Economy-based initiatives. The main institutional supporters of CAPINA are *OXFAM/NOVIB, Bröt Fur Die Welt*, Christian Aid and EED – *Evangelischer Entwicklungsdienst*, the German Evangelical International Development Organization.

1988 was also the year of the foundation of IDACO, created by members of the Union of Engineers, affiliated to CUT, and the Association of Agricultural Engineers of the State of Rio de Janeiro. As with CEDAC, CFDT contributed financially and technically to the creation of this organization. The purpose was to

establish a venue that would contribute to the Union's engagement in the democratization of Brazilian society, namely in the provision of technical assistance to ecologically sustainable production and commercialization among subsistence farmers in the state of Rio de Janeiro. In 1999, with the support of *Misereor*, IDACO started the *Fundo de Crédito Popular* (Popular Credit Fund), a microcredit scheme that currently operates in the Rio shantytowns of *Morro de Santa Marta, Complexo de Manguinhos* and *Conjunto Habitacional Campinho*. In order to provide the technical assistance needed for the development of productive units by popular entrepreneurs, IDACO also created the PGTR – Projeto de Geracão de Trabalho e Renda (Income and Employment Generation Project). It also engaged itself, together with *Cáritas Rio de Janeiro*, CEDAC and other partners, in a local development project for the shantytowns of *Campinho, Novo Campinho, Vila Vitória, Correios* and *29 de Março*. IDACO administers these projects in partnership with municipal administrations.

ASPLANDE was founded in 1992 by a team of economists specialized in business management and sustainable development, with a history of militancy in *Ação Católica* and the women's movement as well as previous experience in the provision of technical assistance to subsistence farmers in the municipality of Paracambi, Rio de Janeiro. ASPLANDE was created with the specific goal of mobilizing and training low-income women, especially youth and single mothers, for the planning, implementation and monitoring of cooperative enterprises and associations of small producers. The ASPLANDE team developed for that purpose a Methodology of Integral and Harmonic Development to promote the diffusion and

democratization of technical knowledge, as well as the support to the organizational sustainability of cooperative enterprises and associations, in the framework of a Network of Women Entrepreneurs. This network integrates methodologies of emancipatory popular education and technical assistance to units of production with consciousness-raising and the direct exchange of "tacit" knowledge between the participants, so as to promote the development of empowered subjectivities. One of the main institutional supporters of ASPLANDE during the 1990's was Ashoka, which provided not only grants but also know-how and institutional contacts. At the present moment, ASPLANDE is supported by organizations such as CESE – Coordenadoria Ecumênica de Serviço (Ecumenical Coordination of Social Service), an ecumenical NGO connected to different Christian denominations that supports NGOs and community development organizations that aim to promote effective citizenship and grassroots-led economic development.[37] It also receives support from the Special Secretariat for Women's Policies, a department of the Brazilian Presidency. [38]

NGOs focused on participatory action research, advocacy and mediation

Herbert "Betinho" de Sousa, Carlos Afonso and Marcos Arruda founded IBASE in Rio de Janeiro in 1981 as a think-tank aimed at promoting participatory action research on the impact of public policies on the population, as well as on strategies of grassroots mobilization and political participation directed at

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[37] http://www.cese.org.br/
[38] http://www.presidencia.gov.br/estrutura_presidencia/sepm/

promoting the social control of the state and enjoyment of social and political rights by the popular classes. Since the late 1990's, IBASE has been promoting research on alternatives to neoliberal globalization, having become one of the institutional members of the international committee of the World Social Forum.[39] Although the founders of IBASE tried to get financial support from the Catholic Church, it ended up denying it. CNBB contested it on the grounds that previously exiled intellectuals were not the best actors to assess the needs of the popular classes. Besides, the disconnection between the highly sophisticated methods of social scientific research and the cognitive praxis of the popular classes could lead to their further disempowerment. Fico claims that, according to D. Hélder Câmara, Brazil had more urgent needs that that of "computer-generated research", especially taking into account that most of the information gathering at the grassroots was done "in shoe boxes", implying very basic needs in terms of technology and expertise (Fico, 1999: 27-8). The most conservative sectors of the Catholic Church also opposed the project, to the point that there are indications that D. Eugênio Salles, at time the conservative archbishop of Rio de Janeiro, might have contributed to the cancelation of the financing of 80% of IBASE's initial budget promised by CEBEMO – *Stichting Samenwerking Vastenaktie*, the Dutch Catholic international development agency (Fico, 1999: 28). NOVIB – *Nederlandse Organisatie Voor Internationale Ontwikkelingssamenwerking* (Dutch Organization For International Development Cooperation), now an affiliate of the international NGO OXFAM, became the main institutional funder of IBASE since its early days (Idem). IBASE managed to raise

[39] www.ibase.org.br

some funds on a project basis from other organizations, namely EZE – *Evangelische Zentralstelle für Entwicklungshilfe*, the German Protestant international development agency. However, it has always struggled to raise enough resources for all its projects. This situation is common to all the other Brazilian NGOs and has been getting worse since the 1990's, due to progressive cuts in the budget for funding projects n Brazil from the part of European donors (op. cit: 29).

PACS was founded in 1986 in Rio de Janeiro by Marcos Arruda, after his departure from IBASE, as the Brazilian counterpart of PRIES – *Programa Regional de Investigações Económicas e Sociais para o Cone Sul da América Latina*, (Regional Program of Social and Economic Research for the Southern Cone of Latin America), the initiative of a group of formerly exiled economists from Argentina, Brazil, Chile and Uruguay. PACS remained a member of PRIES until 1995, when it became an independent organization after nine years of collaboration and joint research. The organizational purpose of PACS is twofold: On one hand, to provide technical assistance to social movements, Catholic Church-based grassroots organizations, public schools, cooperatives of production and commercialization and other organizations aimed at promoting economic development based on principles of Solidarity Economy. On the other hand, PACS also aims to promote, in close collaboration with grassroots communities, research and theorization on alternatives to neoliberal capitalism.[40] Marcos Arruda was a close collaborator of Paulo Freire while both were exiled in Switzerland and worked for the World Council of Churches. He is currently a member of two international networks of

[40] www.pacs.org.br

scholar-activists that openly contests the neoliberal paradigm and has been contributing to the worldwide diffusion of frames related with participatory governance and "Solidarity Socio-economy": The Amsterdam-based Transnational Institute[41] and the Alliance for a Responsible, Plural and Solidarity Economy[42], funded by the Swiss-based FPH - Charles Leopold Mayer Foundation for Human Progress, based in Switzerland[43]. The Transnational Institute is one of the major diffusers worldwide of models of participatory politics, namely participatory budgeting. FHP is one of the major actors in connecting Solidarity Economy-based experiences worldwide and promoting the diffusion of best practices in the construction of what Mance (2002) calls "networks of solidarity-based collaboration". It is also one of PACS' major financial supporters, together with the Germany-based, Marxist Rosa Luxemburg Foundation[44] and European Catholic NGOs such as Christian Aid (UK)[45], Trocáire (Ireland)[46], *Brot für die Welt* (Bread for the World, Germany)[47] and SCIAF – Scottish International Aid Fund[48].

Conclusions

Partial modernization implies the coexistence between not only industrial and pre-industrial structures within the same national political economy, but also

[41] www.tni.org
[42] http://aloe.socioeco.org/index_en.html
[43] http://www.fph.ch/en/presentation.html
[44] http://www.rosalux.de
[45] http://www.christianaid.org.uk/
[46] http://www.trocaire.org/
[47] http://www.brot-fuer-die-welt.de/english/index.php
[48] http://www.sciaf.org.uk/

between rational and pre-modern, culturally based subjective elements in the construction of the "public self". This indicates that civil society organizations and elites that mobilize more culturally based elements of the self can play a substantial role as "templates" for the emergence of labor-oriented political, intellectual and technical elites in postcolonial contexts. That is especially the case in regimes in which political pluralism is repressed or outlawed. The impossibility of resorting to more "traditional" forms of political mobilization, such as electoral competition or labor unions opposing those co-opted by the state, promotes the development of civil society-centered, grassroots-based strategies of construction of oppositional fronts built on cultural elements and supported by prefigurative strategies of economic organization.

In circumstances such as those of Brazil in the second half of the 20th century, in which late industrialization, dependent development and political repression prevented the mobilization of workers by openly "political" elites, meaning intellectuals, labor party leaders and/or military elites pointed out by James, cultural organizations and the elites that manage them become essential elements in the organization of class-based mobilization and political resistance. CNBB assumed the role of "umbrella organization" for political opposition during the authoritarian regime in Brazil, since the prestige associated with its religious role granted it a significant degree of autonomy vis-à-vis the state. As a result, it had a formative effect on the political and technical leaders of CUT, and the civil society organizations that led the grassroots mobilization that facilitated the democratic transition.

The extent to which the labor-oriented elites "created" by cultural organizations within civil society contribute to the self-determination of workers depends on the organizational forms and methodologies that they used to promote that goal. The income-generation projects based on worker ownership that were created by Catholic organizations during the democratic transition suffer from significant limitations in the their grassroots economic arrangements, given the reliance on NGO technicians for coordination, technical assistance and institutional mediation. The creation of more technically oriented NGOs by lay activists "trained" within the ranks of *Ação Católica* could signify a mere reinforcement of the status quo if was not for the fact that they adopted methodologies aimed at promoting the internalization of functions of popular education, technical assistance and institutional mediation by members of the popular classes.

The purpose of organizational forms such as the PACs and, later on, *Esperança/Cooesperança* and *Banco Palmas* was to develop, through grassroots income generation, popular education and participatory decision-making provisions, institutional conditions for the re-socialization of the popular classes in a way that would allow for the emergence of what James calls "the creativity of the masses" (1986: 129). The ultimate goal of the unleashing of this potential is the creation of an inter-subjective "public self" (Arendt, 1959, quoted in Henry, 2009: 189) among the popular classes that promote their self-determination by developing forms of organization and sociability that stem out of the "life-spheres" of workers (Passy and Giugni, 2000: 120-1). According to Arendt (1959), such "public self" is disclosed by action, but not of the kind inherent to activities of work

and labor. Instead, it is promoted by communicative action, which Arendt refers to as "participatory action that is governed exclusively by the norms of speech and from which the imperatives of work and labor have been excluded." (Henry, 2009: 192).

In line with Arendt's argument, James insisted that the material demands and constraints of grassroots mobilization represent a significant obstacle to communicative action (Idem). The grassroots income generation projects hereby referred to are no exception. The dependence on NGO technicians for project coordination, as well as for popular education and training initiatives aimed at developing the capacity of beneficiaries for self-management, indicates that Michels' argument on the difficulties of attaining a classless social organization within socialist political regimes (1993) is also applicable to grassroots, local-level civil society governance. In the case of grassroots local communities, the reliance on technicians for coordination is not so much an outcome of their size, or the amount of goods that need to be administrated, but of the lack of previous preparation of their members to assume such function, as well as the difficulty in amassing endogenous resources. The purpose is not as much to create economically sustainable units of production as to establish a basis of economic self-reliance for the communities, so as to promote their political organization and consciousness-raising.

As such, NGO provisions for participatory decision-making play the pedagogic role of complementing popular education in preparing beneficiaries for economic and political self-determination. Thus, from a Jamesian perspective, NGOs

and their technicians can be seen as a new and distinct type of vanguard. The democratic potential of these provisions is curtailed by the difficulties in creating endogenous resources, which promote the dependence on NGO technicians for resource mobilization and management and, as such, can contribute to delaying the emergence of economically and politically empowered subjectivities, as well as of an inter-subjective "public self". Such dependence results from the necessity of relying on external sources of financial, material and cognitive resources, which create substantial barriers to local economic integration and self-determination. Such dependence prevents the formation of the systemic feedback processes and communicative fluxes that Mance claims to be necessary for the sustainability and expansion of "networks of solidarity-based collaboration" (Mance, 2002: 24-5, 83), therefore requiring technical intervention to ensure the sustainability of the projects. The result is what Henry (2009: 196) calls a "political economy of economic self-management" that is still at a latent phase, as it is centered on the dependence of the popular classes on financial resources coming from NGOs, production and consumption goods coming from the capitalist economy and cognitive resources coming from mainly middle-class NGO technicians.

The more technically oriented activist NGOs that emerged in the late '80's and early '90's aim to address the limits of PACs and PACs-based local development projects by providing more technically sophisticated forms of assistance to grassroots worker-owned enterprises. They also integrate technical assistance into a strategy of democratic deepening and conquest of rights, either in the form of state/civil society mediation or technical empowerment and promotion of economic

sustainability beyond the survival level. From an institutional point of view, this indicates a continuation of the NGO-centered "political economy of economic self-governance" that characterizes the PACs, *Esperança/Cooesperança* and *Banco Palmas*. However, the shift from a mainly faith-based to a more expertise-directed form of mobilization was accompanied by an extension of the conception of participatory governance from the sharing of decision-making power, as in the CEBs between clergy and lay members, to one in which the participatory project design and management promoted by lay NGOs is aimed at promoting the appropriation of knowledge and methodologies of popular education and training and institutional mediation by their beneficiaries.

CHAPTER III
Civil society organizations, party oligarchy and the coexistence between Solidarity Economy and "third way" state capitalism in Workers' Party-led governments

Solidarity Economy as an area of policy-making

The difficulties experienced by popular cooperatives in creating endogenous resources implies a dependence on external sources, namely social movement organizations, NGOs and the state, for access to the credit, know-how and opportunities of commercialization needed for their survival. In order to promote the access of popular cooperatives to such resources, civil society organizations taking part in the Solidarity Economy movement promoted the creation of public policies for the sector, in the framework of municipal and state-level governments led by the Brazilian Workers' Party (PT) in Rio Grande do Sul, as well as in Lula da Silva's national-level administration.

In Rio Grande do Sul, the policies of promotion of Solidarity Economy were framed within a more general strategy of re-localization of economic production and consumption and promotion of participatory democracy, which aimed to improve the living conditions of the popular classes through grassroots income generation. Within Lula da Silva's administration, the policies of promotion of Solidarity Economy coexist with PT's core neoliberal economic development program, based on a "third way" form of state capitalism, which is the outcome of alliances between party leaderships and national and international elites. Such alliances led to compromises in terms of the definition of economic policy, despite the party's initial ideological commitment to socialism. The key compromise was the

maintenance of an "investor-friendly" fiscal conservatism, with the purpose of curbing inflation, as well as of an open market policy, which meant the continuation of the dependent development regime inherited from previous governments. However, the ties existing between PT leaderships and the social movements and activist NGOs that constitute its political base canalized grassroots demands to which the government had to respond to, so as to maintain its political base of support.

Diffusion from civil society organizations to PT and CUT leaderships

As seen in the previous chapters, Solidarity Economy was first conceived as a strategy of prefigurative, bottom-up economic democratization by *Cáritas*, the activist NGOs created by militants of *Ação Católica* as well as by intellectuals working within them. Such organizations were mainly.

These NGOs promoted the diffusion of Solidarity Economy into the realm of policy making as a result of some of their technicians, who were also PT militants, assuming positions within PT-led administrations at the municipal and state level, namely in Rio Grande do Sul, as well as at the national level, within Lula da Silva's administration.

They also promoted the diffusion of Solidarity Economy into the realm of labor unionism, as a result of a continuing dialogue between *Central Única dos Trabalhadores* (CUT), FASE, CEDAC and other activist NGOs on the technical and political education of workers. Such dialogue dates back to the foundation of CUT and its "*escolas sindicais*" (labor union schools) in the early 1980's. From the late

1980's onwards, it started to include themes related with the development of strategies for addressing the rise in structural unemployment and economic informality.

Among the results of this dialogue was the creation of the National Association of Workers in Worker-managed Enterprises (ANTEAG)[1] and *UNISOL Brasil*[2]. ANTEAG was created in 1994, by labor unions affiliated to CUT, as an independent institutional structure aimed at supporting, with technical and legal assistance, a new form of class-based collective action, which is the takeover of bankrupting enterprises and their transformation into workers' cooperatives. *UNISOL Brasil* was created in 2004 as organization affiliated to CUT, which purpose is to promote the political organization of popular cooperatives and facilitate their access to credit, technical assistance and opportunities for commercialization.

The adoption of Solidarity Economy as an area of policy-making and labor union strategy was in part motivated by the fall of the Soviet Union, which restricted the sources of international support to political revolution as a strategy of structural transformation. It is also to a large extent the result of path-dependent institutional and structural constraints that restricted the capacity of labor unions of having an effective impact on the promotion of political power and better living conditions among the Brazilian working class.

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[1] http://www.anteag.org.br/
[2] http://www.unisolbrasil.org.br/inicio.wt

Beyond path-dependency: Structural power relations, institutions, and ideology

Mahoney claims "the concept of path-dependency is built around the idea that crucial choice points may establish certain directions of change and foreclose others in a way that shapes development over long periods of time." (Mahoney, 2001: 264). The author bases his statement on Moore's argument that differences among countries, in terms of the adoption of distinct political and institutional regimes in their transition from a preindustrial to a modern political economy, may be explained by how processes of class formation determine differences in the level of "bourgeois impulse" (meaning the capacity for autonomous collective action of the bourgeois class) that developed during agricultural modernization (Moore, 1966, quoted in Mahoney, 2001: 270). However, in order to fully understand path-dependency, it is also necessary to analyze how continuity and change in terms of structural power relations, as well as the institutional forms and ideology thus reproduced or created, shape the political strategies of different social classes and determine which ones will prevail in the shaping of policy regimes. Based on Rueschemeyer, Stephens & Stephens (1996), one may claim that the "working class impulse", meaning the capacity for autonomous collective action of the working class, matter as much as that of the bourgeoisie in terms of choices, at crucial points in history, that establish directions of continuity or change.

The political and economic constraining of labor unionism

The incipience and internal divisions of the Brazilian labor movement in the early 20th century[3] facilitated the establishment, during the Getulio Vargas dictatorship, of an "authoritarian-corporatist" regime (Gianotti, 2007: 87-93). Such regime was based on the role of the state as a mediator between the interests of the business class and those of workers organized into "official" labor unions. Attempts at creating independent labor unions or parties were severely repressed by the use of imprisonment and torture, which forced autonomous labor activism underground (Cohen, 1989: 9). The state also restricted the political function of "official" labor unions by discouraging militant activity, establishing as the main role of union officials that of collaborating with public authorities in the conciliation of labor disputes and the implementation of social policies.

This regime of industrial relations defused class conflict and shaped the emergence of the Brazilian working class in a way that ensured its subordination to the interests of capital by the force of law and institutions, as well as of state propaganda, (Gianotti, 2007: 133-5). However, such subordination did not stop them from promoting, in 1945, a large wave of national-level mobilizations against

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[3] At the time when Getulio Vargas came into power in 1930, the Brazilian working class was still relatively small and concentrated mainly in São Paulo and Rio de Janeiro, as well as in the urban industrial centers of the Northeast (Cohen, 1989: 30). The labor movement was also still incipient, being formed mainly by Anarchist circles, as well as by labor unions associated with the Brazilian Communist Party, founded in 1922, which had limited penetration among industrial workers (Idem). Besides, there were Catholic labor unions that organized themselves at the margin of left wing parties and promoted collaboration with the government, as well as with the capitalist class, in the promotion of labor legislation and social policies aimed at increasing the material welfare of workers. Social Democracy had limited penetration within the labor movement, as well as within intellectual circles (Gianotti, 2007: 61-84, 95-9).

the salary containment brought by the war economy and in favor of free elections and union autonomy. Such mobilizations propelled Vargas to set up free parliamentary elections for December of that year, with the purpose of starting a process of constitutional revision. Despite these initiatives, Vargas was deposed by a coup-d'état in 1946.

. The new constitution approved in 1946 left intact the state-mediated corporatist system implemented during Vargas' dictatorship. Still, the "populist democracy" that succeeded it allowed for a temporary reemergence into the mainstream of independent working class organizations that have been previously pushed underground. However, the new regime soon outlawed autonomous labor unions and promoted a concentration of power in the hands of "official" labor union leaderships. Still, these measures did not prevent state-sanctioned unions to react to the recession that marked the presidencies of Janio Quadros and João Goulart and demand salary increases that would go in par with the rise in inflation (Gianotti, 2007: 164-70).

The labor union-led mobilizations that marked Goulart's presidency were among the factors that motivated the military coup d'état of '64. The authoritarian regime it installed led to a reinforcement of state disciplining of labor through the outlawing of independent labor unions (including those connected with the Communist Party) and the withdrawal of the capacity of "official" unions to organize strikes.

The reproduction of a conservative "state ideology" among workers

Despite the constraints posed to working class collective action until the democratic transition and the absence of the foundations of autonomous working class collective action pointed out by James, Lee and Castoriadis (2006), state-created labor unions managed to carry out large-scale mass mobilizations that unsettled the status quo, twice instigating military coups-d'état that led to regime change. However, the motivation behind such mass mobilizations was not to transform the state and the structural relations underlying it, but instead to force the government to fulfill immediatist expectations of better living conditions for workers implicit in the status quo. It is not by chance that such mobilizations happened during periods of economic crisis, which restricted the ability of the state to promote expected wage increases. Cohen, quoting Lamounier, refers to this motivation as the expression of a "state ideology", as it focuses on the role of the state as a provider of social goods, neglecting the analysis of the structural power relations underlying such provision, as well as the envisioning of alternative forms of organizing society that could improve even more the living conditions of workers.

The kind of "state ideology" promoted by the Getulio Vargas dictatorship was of a conservative and "organic" type. According to this ideology, the good polity is one in which the component parts of society are harmoniously integrated into an organic whole. In such a polity, the state is seen as the only component endowed with autonomous agency. As such, a powerful state is assigned the role of interpreting the "common good" and is empowered to structure society to achieve that "good" (Cohen 1989: 6). According to Cohen, corporatist organization not only

coopt workers but also indoctrinate them into consent by preventing workers from "acquiring values and attitudes conductive to political action directed at redressing the injustices of capitalist industrialization" (Op. cit.: 5). The use of a system of "regulated citizenship", supported by state propaganda and the reproduction of authoritarian values through public education, the Catholic Church and the patriarchal family, promoted the internalization by workers of the authoritarian ideology of the elite and ensured their quiescence at a relatively low cost during the first four decades of industrialization (Op. cit.: 73). The author claims that this system of "manipulation of consent" was responsible for the relatively low level of active resistance against the '64 coup d'état (Op. cit.: 4).

The reinvention of labor unionism during the democratic transition

During the democratic transition, CUT reinvented labor unionism and contributed to a reconstruction of the values and practices of the Brazilian working class. However, its political impact on economic policy was restrained by the maintenance of the corporatist structures inherited from the '30's and the continuity of dependent development, reinforced by the anti-inflationary programs that characterized economic policy from the democratic transition until the presidency of Fernando Henrique Cardoso (Cohen, 1989: 5). CUT's potential for working class empowerment was also restrained by the sharp rise in unemployment that marked the '90's, which in '99 reached 20% in the São Paulo metropolitan region (Gianotti, 2007: 286). The rise in unemployment was not only a result of anti-inflationary measures and other fiscally conservative economic

policies, but also of the expansion of automation, which decreased the amount of labor necessary in urban and rural industries. Besides, economic informality affected an expanding percentage of workers, which were excluded from the possibility of unionization or other form of formal institutional affiliation through which they could develop their capacity for self-organization and at the same time exert influence on labor relations and economic policy (Idem).

According to Baer, the retention of Fernando Henrique Cardoso's inflation-targeting framework by Lula da Silva's government implied a subordination of all policy goals, including those of social development and wealth redistribution, to that of inflation control. The promotion of social equity, either through wage increases or redistributive measures, remained conditional on price stability and economic growth, which in these circumstances was driven to a large extent by contextual factors in the international economy. At the contrary of previous presidencies, Lula's government responded to labor union pressure by promoting significant rises in real wages. Still, in June 2004, Lula's government used all of its political power to force through congress an increase in the minimum wage of only R$260, in opposition to substantial pressure from across the political spectrum for an increase to $275 (Baer, 2008: 175). However, wage increases did not have significant effects in terms of income per capita, due to the continuity of high unemployment, in large part due to the restrictions to employment creation posed by anti-inflationary policies. In 1998, the average real monthly income, in Reais of January 2006, in the metropolitan areas of São Paulo and Belo Horizonte was of 1526 and 956,

respectively. By January 2006, it decreased to 1200 in São Paulo and 891 in Belo Horizonte (Op. cit.: 162).

Reinventing the organizations, subjectivities and praxis of the working class

The expansion of economic informality and the limits posed by neoliberal governance to "traditional" labor politics promoted, among many of the grassroots organizations that created PT, the perspective that a truly emancipatory strategy of structural transformation would require more than the creation of autonomous labor unions. It would require, up and foremost, innovative organizational forms that would bypass the economic and political constraints posed to labor union activity, a well as promote a "reinvention" of the subjectivity and practices of collective action of the Brazilian workers. It also promoted the perception that the most feasible strategy of economic democratization would be to promote the co-creation of public policies aimed at supporting grassroots prefigurative collective action. Such public policies took the form of measures of support to Solidarity Economy. They represent a strategy of social transformation that subverts that which was traditionally upheld by revolutionary socialist parties. It does so by prioritizing the conditions for social revolution, in the form of a struggle against human capital-based and institutional sources of inequality, so as to promote a bottom-up structural transformation led by the working class.

PT's core neoliberal strategy of economic development

The promotion of Solidarity Economy by PT-led governments coexists with a core strategy of economic development based on neoliberal principles. Such strategy represents a form of state capitalism that, although not fitting C.L.R. James' original conception, fits that suggested by Chomsky (2010).

James (1986) conceived state capitalism as a strategy of accelerated transition from a pre-industrial economy to an industrial one. In such strategy, the state plays a major role in the economy not only as an investor and regulator, but also in the formation of social classes or the configuration of power between them. That was the case of the Soviet Union and the Eastern European countries of the former COMECON, where working class political parties came to power through political revolution before the working class became significant numerically and politically beyond the major cities.

From the perspective of state intervention in the economy, one may also include under the umbrella of state capitalism the labor party-led governments that took power in Caribbean countries during the post-colonial period, such as that of the social democratic government of the People's National Movement (PNM) in Trinidad and Tobago during the '60's and '70's. However, at the contrary of the Soviet Union, state capitalism was promoted in the Caribbean region in the framework of politically pluralist regimes. Besides, PNM came to power as a result of the numeric significant, organizational capacity and political power of the working class in Trinidad and Tobago at that time (Lewis, 1983). One of the key purposes of the PNM government was to empower the working class even further,

not only by redistributing the wealth generated by state-owned enterprises, but also by promoting large-scale programs of popular education.

Chomsky (2010) conceives state capitalism more broadly than James, defining it as an economic policy regime in which government spending is a major engine of growth and development, regardless of whether or not it contributes to processes of class formation or changes in the configuration of power between social classes. In such context, government spending can either take the form of public ownership of enterprises, or of public support to production and commercialization that include export subventions, as well as public support to foreign direct investment.

From Chomsky's perspective, one may consider the economic program that PT-led governments have been following in Brazil as a form of state capitalism that fits what Petras (2000) calls the Latin American "developmentalist third way". At the contrary of the labor governments in mid-20th century Caribbean, the focus of this type of development regime is on the maximization of private national and international investment. Such goal is combined with "social spending" aimed at promoting wealth redistribution, income generation and human capital accumulation among the least favored groups.

Although public ownership of enterprises in strategic sectors of the economy may have an important role in such regime, government support to the economy is focused on the provision of subventions, tax benefits and support to research and development. However, PT's economic agenda shares a similar major goal with that carried out by Eric William's People's National Movement government in

postcolonial Trinidad and Tobago, which is the decrease of the dependence of the national economy vis-à-vis the industrialized world. Eric Williams pursued such goal by promoting, together with Guyana's president Forbes Burnham, economic integration among Caribbean countries, namely in the form of the Caribbean Community and Common Market (CARICOM). Besides, Williams also promoted trade agreements with countries in the Communist block, namely the USSR, Cuba and China, Lula da Silva's government pursued a similar strategy during the early 21st century by promoting a deepening of MERCOSUR's regional integration process, as well as by diversifying its trade and investment fluxes in a way that favors exchanges not only with its MERCOSUR partners, but also with other emerging markets such as China.

Rio Grande do Sul: Rooting the economy through local supply and demand

The PT-led municipal and state-level governments that came into power in Rio Grande do Sul in the late '80's and '90's promoted a rooting of the local economy into local-level production and demand, by promoting favorable conditions for investment in the area. Their economy policy program focused on incentives to small and medium enterprises that included the investment in infrastructures and the promotion of the access of enterprises to technology, credit and spaces of commercialization (Prefeitura de Porto Alegre, 1995: 21). Such policies were co-produced by the state in partnership with small and medium enterprise associations. For the co-implementation of these policies, governments at the municipal and state level promoted the formation of networks constituted by

beneficiaries and supporting organizations. The purpose was not only to facilitate policy implementation by the state, but also to promote economic collaboration between beneficiaries, with resulting economies of scale (Idem).

Lula's economic strategy: "Third way" state capitalism as class compromise

Brazil, unlike Venezuela or Bolivia, is not one of the top world producers and exporters of strategic commodities like oil and gas. Besides, it is a key destination of foreign direct investment and one of the major world exporters of agricultural, forestry and semi-transformed goods. That fact created the expectation, among Workers' Party strategists, that resorting to import substitution and the nationalization of key sectors of the economy as a strategy for promoting economic growth and wealth redistribution would lead to capital flight and political pressures, from national and international elites, of an extent that would compromise governability and the promotion of social equity.

Prior to the presidential election of October 2002, PT issued a manifesto in which it stated that its major goal, while in government, would be to kick-off a long-term strategy aimed at tackling path-dependent structural inequalities by using measures to support rapid economic growth and international competitiveness as a backdrop to achieving social development. With that in mind, the manifesto specified six key policy goals: Price stability, efficiency of the taxation system, provisions of long-term finance, investment in research and development, selective investments in infrastructure and education of the workforce (Baer, 2008: 152-3).

The last goal is integrated into a new strategic vision in which the tackling of poverty and inequality is carried out in an integrated and coherent fashion.

Compared to previous governments, Lula da Silva's administration increased the role of the state as investor at the national level, with the purpose of stimulating economic growth and promoting social equity. Lula da Silva's economic program combined supply and demand-oriented stimulus to national economic growth with a strengthening of trade and investment relations with other economies that are at the same level of development. The purpose of this strategy was to decrease economic dependence vis-à-vis the industrialized countries of the "Global North". The result was that, in 2010, China became Brazil's major trade partner, followed by MERCOSUR and South America as a whole. The United States, the European Union and Japan are currently ranked third, fourth and fifth in the list of Brazil's major commercial partners (Sader, 2010).

The choice for a "third way" state capitalism by Lula's government was the result of a compromise made by PT leaders with national and international economic elites, with the purpose of ensuring conditions of governability, as well as promoting the economic growth necessary for supporting redistributive measures (Baer, 2008: 152). Such compromise happened, despite the ideological critique of capitalist dependent development within PT ranks, with the purpose of ensuring conditions of governability, given the international political environment. It was also aimed at ensuring the availability of resources for policy measures aimed at

promoting the economic and political empowerment of the popular classes.[4] At the core of that compromise are the goals of maintaining a reputation of "investor friendliness", so as to avoid a flight of national and international capital that would lead to economic recession and sabotage efforts at tackling structural inequalities (Idem). Above all, it was necessary to ensure the international financial market that Brazil would not default on the national debt and that there would be no reversal of the of the privatizations carried out during the '90'. The purpose of such class compromise was to ensure the conditions of governability necessary to promote pro-poor policies and root economic growth more firmly in national production and consumption, while maintaining a dependent development model (Bourne, 2008: 153-75). Besides, Lula's government wanted to ensure conditions for economic growth, as well as promote international competitiveness, so as to stimulate domestic and foreign investment and increase export capacity. Such agenda inhibited radical departures in established norms of socioeconomic policy (Baer, 2008: 152).

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[4] Lula da Silva's social policy regime tries to increase social and economic equity by promoting the human capital and the institutional structures necessary to integrate the less privileged groups into the political regime as engaged citizens, as well as into the formal market as workers, producers and consumers. It does so through three types of policy interventions:

- Redistributive measures integrated with incentives to the promotion of human capital (education, health and income-generation) (programs "*Bolsa Familia* http://www.mds.gov.br/bolsafamilia/o_programa_bolsa_familia/o-que-e and "*Fome Zero*" http://www.fomezero.gov.br/, links last consulted on 08/21/10);
- Affirmative action and support to civil society projects and organizations aimed at targeting specific barriers to human capital development and socio-economic inclusion faced by women and racial minorities;
- Promotion of grassroots income generation according to principles of autonomy, cooperation and solidarity, by supporting land redistribution, family-based agriculture and worker entrepreneurship in urban and rural areas.

The "Iron Law of Oligarchy" and PT's embrace of a " third way" state capitalism

PT does not function according to a rigid ideology, identifying itself broadly as "a democratic, socialist and mass party" that "defends and exercises the recognition of the will of the majority, assuring, at the same time, the existence of minorities to be represented and to express themselves in all instances of the party." (Keck, 1992: 17-18). Therefore, PT recognizes the right of its militants to follow different political tendencies, as long as they do not counter the main ideological principles of the party (Idem). As a result, it includes within its ranks militants with a wide range of left-wing perspectives, from Social Democrats and Catholic-Marxists to Trotskyites.

A network of grassroots social movements created PT as a political tool to support the mobilization of the popular classes and give them a political voice vis-à-vis the state. However, throughout the '80's and '90's, PT decreased its engagement with grassroots organizations and their efforts of "day-to-day mass organizing", except prior to electoral campaigns (Petras and Veltmeyer, 2005: 62). In the words of the authors "the electoral sector of PT gained control of the party and slowly redefined its role as basically an electoral apparatus, paying lip service to the social struggle and concentrating its efforts inside the apparatus and institutions of the state, forming *de facto* alliances with bourgeois parties." (p. 61-2). During the same period, there was also a shift in PT's internal balance of power from a Marxist/left tendency to one based on a "third way", social democratic approach to politics.

The electoral coalition led by PT that won the 2002 general elections included, among others, the social democratic Brazilian Socialist Party[5] (PSB), the centrist Party of the Brazilian Democratic Movement[6] (PMDB) and the neoliberal/conservative Brazilian Republican Party[7] (PRB). According to a member of the National Congress affiliated with PT, the result of such coalition is that

> *"[t]here is a fight for hegemony within the government between three models of development, which correspond to three internal factions: A "neoliberal" one, which represents the interests of the coalition between national and international capital, a "developmentalist" one, which conceives development above all as economic growth, and a "sustainable" one, which is to a great extent based on Solidarity Economy ."*

According to the same respondent, such factions do not exactly follow party lines, since there is a division within PT between the "third way" majority that promotes the "developmentalist" model and a Marxist/Left minority that espouses the "sustainable" perspective. The respondent argues that

> *"(…) the goal* [of the "sustainable" faction] *is to 'contaminate' the 'developmentalist' model."*

The role of bureaucracy, expertise and charismatic leadership in Lula's election

Michels' "Iron Law of Oligarchy" (1993), partially helps to understand how the core leaderships of PT compromised their initial ideological commitment to socialism. Such compromise took the form of an embracing of a "third way" state capitalist economic program that combines an orthodox neo-liberal program,

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[5] http://www.psbnacional.org.br/
[6] Translation of "*Partido do Movimento Democrático Brasileiro*".
[7] http://www.prb.org.br/

directed to the maximization of economic growth, with welfare policies aimed at promoting social equity (Petras, 2000).

Two of the major factors indicated by Michels - the necessity of bureaucracy for the management of inputs within a mass party and the importance of political expertise in electoral competition - explain to a large extent the concentration of decision-making power in the hands of skilled leaders within PT (Michels, 1993: 63-77). The shift of the internal balance of power from a Marxist/Left to a "third way" approach can be explain by the necessity of the party to "conform to the law of tactics" (Op. cit.: 78) and gather support among voters in the aftermath of the fall of the Soviet Union and the discrediting of Marxism within mainstream politics.

Another explaining factor is the charisma and mass appeal of Lula da Silva's status as a labor union leader persecuted by the authoritarian regime. Michels argues that the charisma of "persecution, imprisonment and exile" is one of the causes of the "political gratitude" of masses towards leaders and the "cult of veneration" that contributes to the continual reelection of such leaders and their close associates (Op. cit.: 92-7). As a result, Lula da Silva already had a high profile as a leader among the sectors of the popular classes mobilized around PT, as well as the grassroots organizations that emerged during the democratic transition.

The economic stagnation and high unemployment caused by the anti-inflationary policies of previous governments, as well as by structural adjustment policies imposed by the Bretton Woods institutions, added to the ideological turn to "third way" politics by PT's mainstream, increased Lula da Silva's appeal to the sectors of the professional middle class that experienced downward social mobility

as the result of such policies (Mendes, 2006: 17-23). Therefore, Lula represented for these sectors of the Brazilian population the hope that politics would be more determined by the interests of the working population and less by those of national and international business elites. That happens not only because Lula is a working-class man who experienced upward social mobility, but also because he was surrounded by a staff that included economists, lawyers and social scientists with prestigious positions within academia. That factor increased Lula's appeal to the middle class and contributed substantially to the victory of the PT-led coalition on the national elections of 2002.

The political economy of party oligarchization

In order to have a more complete understanding of oligarchization and political compromise within PT, one must go beyond Michel's original theory and take into account how factors that are external to the party, namely structural power relations within and beyond the national political economy, contribute to the concentration of power in the hands of skilled leaders. The analysis of the behavior of PT-led governments indicates that significant disparities between social classes, in terms of economic power and ability for political self-organization, reinforce the tendency of working class leaders to compromise ideologically and politically with hegemonic elites, with the purpose of facilitating their access to power and promoting conditions of governability. Besides, the external conditioning of national economic growth reinforces the importance of technical and political expertise in policy-making, at the expense of grassroots inputs. That happens because the

agency of political decision-makers is limited by the necessity of ensuring conditions of governability by acting as mediators in the relationship between national and international economic elites.

Therefore, the strategies followed by PT-led governments must be situated historically and understood contextually, taking into account how they were shaped by path-dependent opportunity constraints that restricted not only the capacity of the working class for self-organization, but also the ability of political elites to shape domestic economic policy independently from the interests of its main international economic partners.

Class compromise, external dependence and the choice of development regimes

Before the Getulio Vargas dictatorship, the levels of both the bourgeois and the working class "impulse" were low, given the predominance of an export-oriented plantation economy inherited from the colonial period. Still, the connections of plantation owners to the military, as well as to international trade via an emerging but still incipient urban industrial sector gave the Brazilian bourgeoisie a political edge which facilitated its seizing of state power, with the purpose of promoting an economic policy regime that promoted its development as a class. The incipience of Brazilian working class organizations previous to the Getúlio Vargas dictatorship facilitated the elite choice of a conservative state capitalist model for the transition from an agrarian to an industrialized economy.

There is a substantial difference between the form of state capitalism adopted in the Caribbean and that followed by Brazil during the Vargas dictatorship

and subsequent populist democracy. At the contrary of the progressive type of state capitalism identified by James as being that of Trinidad during the ’50’s, that which was developed in Brazil during the Getulio Vargas dictatorship of ’30-’45 and in the following populist democracy was of a conservative type, as it did not aim to subordinate the interests of the capitalist class by turning economic modernization and capital accumulation into an instrument for the achievement of social equity and generalized well-being. Instead, capital accumulation became in itself the ultimate goal of policies aimed at promoting rapid industrialization, through a combination of investment by national and transnational corporation on the production of primary and semi-transformed goods for export, as well as the production of middle and upper-class consumer durables. The success of such combination depended on rising inequality, in the form of a lowly paid and socially and politically coerced working class, coupled with a middle and upper class whose income could allow them to consume such goods (Evans, 1979).

State capitalism was adopted by the Brazilian elites during the Getúlio Vargas dictatorship as a strategy of promotion of rapid industrialization, in the context of late modernization, by maximizing capital accumulation (Cohen, 1989: 7-8). Such strategy attempted to modernize the state and the economy by strengthening the state capacity to promote rapid capital accumulation and industrialization through import substitution, subventions to national industry and the control of labor demands through state-mediated corporatism and a system of “regulated

citizenship"[8] (Barros, 1999: 10, Gianotti, 2007: 129-30). The major goals were to modernize the state and the economy by developing the state capacity for regulation, economic intervention and social control and promote a rapid industrialization by changing the administration of the state "from a classical administrative bureaucracy into a state bourgeoisie" (Cardoso, 1974; Evans 1979: 43).[9]

The "populist democracy" of '46-'64, which succeeded the Vargas dictatorship, was marked by the continuation of state capitalism and the deepening of the industrialization process through import substitution, the control of profits transfer by multinational with headquarters abroad and the development of large state companies in strategic sectors of the economy (Cohen, 1999: 9-10). The developmentalist strategies followed by presidents Dutra, Vargas, Kubitschek and Quadros accelerated capitalist development, to a large extent promoted by the

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[8] Through this system, the state expanded the social entitlements available to workers not according to principles of universal citizenship, but instead through the creation of organizational categories recognized by the law and the official labor unions (Barros, 1999: 10-1). Workers received a differentiated set of entitlements, depending on the organizational category and respective unions they were affiliated to. According to Barros, this system led to a process of "exclusionary modernization" since, by resting on differences of occupation, reflected existing inequalities and reinforced them (Idem).

[9] With the term "state bourgeoisie", Cardoso and Evans referred to the recruitment of state managers, generally from a bourgeois background or sympathetic to the interests of the bourgeois class, with the purpose of directing capital accumulation in the interest of capital as a whole, through the development and management of adequate economic policies. Such policies should include the creation of public enterprises in strategic sectors, and the insulation of national industries from international competition through protectionist measures, so as to maximize the capacity of the national industrial bourgeoisie to accumulate capital. According to Amin (1976: 347) and Evans (1979: 47), the role of the state bourgeoisie is not to replace or co-opt the private capitalist class, but instead to take part with it in a common project that, within a context of dependent development, also includes multinationals. Based on Evans (Idem) and Skocpol (1978: 33), one may argue that the state bourgeoisie created by the Vargas dictatorship was in itself a resource extracted from society, with the purpose of developing the administrative and coercive resources necessary for the maximization of capital accumulation.

creation of large public companies, including *Eletrobrás* in electricity and *Petrobrás* in the oil sector (Gianotti, 2007: 161). At the same time, developmentalism implied the assumption of growing debts vis-à-vis industrialized countries and the Bretton Woods system. Such debts promoted inflation, which led to an economic recession under the government of João Goulart.

Meanwhile, the growth of the “bourgeois impulse”, propitiated by the public support provided under the Vargas dictatorship, created within the capitalist class a desire for emancipation from state tutelage. Such impulse led to a reaction against the growing public interference in the economy and the pro-labor policies promoted during the Jânio Quadros presidency, leading to a military coup-d’état in ’64 that installed a dictatorial regime that promoted the transition from a developmentalist model based on import substitution to a dependent development model.

The economic policy program of the military dictatorship fits the conception of state capitalism suggested by Chomsky (2009), as the liberalization of the entrance of foreign capital was complemented by incentives to the promotion of national private entrepreneurship and export capacity, investment by transnational corporations and internal demand of consumer durables by the middle and upper classes (Evans, 1979).

Despite the grassroots mobilizations that propitiated the democratic transition, the continuing disparity between, on one hand, working class “impulse”, and on the other hand that of a national bourgeoisie strengthened politically by its alliance with the international capitalist class, facilitated the elite pact that promoted the continuity of a dependent development version of state capitalism

into the democratic transition and beyond. The democratic transition ended up taking the form of a conservative compromise between the military and bourgeois elites, which led to a further retreat of the state from the economy, a deepening of the process of dependent development and a substantial rise in economic inequality. Such elite pact was supported and reinforced by the structural adjustment measures introduced by the International Monetary Fund. Besides, the anti-inflationary measures that structured economic policy since the democratic transition only reinforced the power of capital over labor.

Civil society/PT leadership ties and the promotion of Solidarity Economy policies

Neither Michel's "Iron Law of Oligarchy", nor the structural constraints posed by dependent development and imbalances in class power, can explain why PT-led governments promoted public policies of support to Solidarity Economy, despite their adoption of a core neoliberal economic development strategy. Such explanation can be found in the ties maintained between civil society organizations and PT leaderships, especially with the significant minority that still espouses a Marxist-left ideology (Petras & Veltmeyer, 2005: 63). That is especially the case of Rio Grande do Sul, where the predominant tendency within PT, both within the party and in public administrations, is a Trotskyite group known as *Democracia Socialista* (DS)[10]. In this case, the ties between civil society organizations and public officials connected to DS promoted the canalization of demands from below, in a way that promoted the institutionalization of previous party/social movement

[10] http://www.democraciasocialista.org.br/ds/

engagements in the form of public policies complemented by participatory institutional arrangements. Such institutionalization promoted the canalization of a historically high amount of public resources to grassroots empowerment. (Heller, 2001: 134).

However, the rotation of political parties in power creates limits to the continuity of Solidarity Economy policies, at least with the character envisioned by grassroots organizations. With the substitution of PT-led administrations for centrist governments at the state level and in the municipality of Porto Alegre, grassroots organizations had to face the end of the state-level policy program of support to Solidarity Economy, as well as the adaptation of the municipal-level program to a compensatory, "third way" approach to state/civil society partnerships that "neutralized" the role of Solidarity Economy public policies as promoters of popular empowerment.

National-level civil society organizations faced a similar problem of ideological affinity with government when negotiating national-level policies for Solidarity Economy with members of the future Lula da Silva administration. Most of those members belonged to "*Construindo Um Novo Brasil*"[11], a majority tendency within PT that espouses Social Democratic principles and a corporatist approach to state/civil society relations. As a result, those civil society organizations had to compromise not only in the content of the public policies they proposed, but also in the institutional formations they envisioned for their implementation.

[11] http://www.construindoumnovobrasil.com.br/

Municipal and state-level Solidarity Economy policies in Rio Grande do Sul

Since the late '80's some municipalities in Rio Grande do Sul have been implementing public policy programs of support to the promotion of Solidarity Economy. These programs are carried out in the framework of local economic development policies through participatory governance mechanisms facilitated by participatory budgeting. They were developed by municipal governments run by PT-led coalitions in Porto Alegre, in suburban municipalities in its metropolitan Area (Viamão, Canoas, Cachoeirinha, Alvorada, Gravataí), as well as in other large cities within the state (Caxias, Pelotas and Santa Maria) (Icaza, 2008: 208). They aimed to promote the access of popular collectives to credit, technical assistance and spaces of commercialization by promoting microcredit funds and other credit schemes with reduced interest rates, public funding of technical assistance, the regular organization of fairs and the creation of publicly funded spaces for the permanent commercialization of goods produced by popular cooperatives (Icaza, 2008: 210-1). Besides, they aimed to promote a change in the subjectivity of participating workers from the primary role to which they were socialized, that of an of "employee" depending on a "boss", into the roles of "co-owners", "co-managers" and "cooperators".[12]

Porto Alegre was the first municipal administration to introduce such policy programs, with the election of the first municipal-level PT-led government in 1989. The suburban municipalities of Viamão, Cachoeirinha and Gravataí, which at that

[12] Internal document produced by the government of Rio Grande do Sul, circa 1996, on the history of policy programs of support to Solidarity Economy in the state. I received this document from a former official of SMIC and SEDAI during PT-led coalition governments, during an interview carried out in Porto Alegre on 05/28/09.

time also had PT-led administrations, emulated the policy programs introduced by Porto Alegre during the following years. Such programs involved the provision, through Participatory Budgeting, of assistance to the constitution, formalization and technical development of popular cooperatives, as well as to the commercialization of their products. Such assistance took the form of the provision of equipment, dwellings and technical training and certification programs.

In 1996, those policy programs received a boost by the municipal administration of Porto Alegre, which systematized them into a program specifically aimed at promoting the empowerment of the popular classes. The municipality openly stated the classist goals of this program by entitling it in 1996 with their systematization, by the Porto Alegre municipal administration, into a program of development of "*Programa de Desenvolvimento da Economia Popular Solidária*" (Program of Development of the Solidarity Economy of the Popular Classes).

According to a technician from *Cáritas Rio Grande do Sul*, the concept of "*Economia Popular Solidária*" represented

> "*the priority given to the promotion of the collective organization and economic empowerment of the popular classes (...) a breaking from the monopoly of the logic of state bureaucracy in policy-making and allocation of public resources, by recognizing the validity of the forms of grassroots organization and political intervention of the popular classes. It was also a recognition that the knowledge they have of their living conditions and everyday activities is the most reliable source of information for determining how to allocate policy resources*."[13]

[13] Interview with a technician of Cáritas Rio Grande do Sul, Porto Alegre, 03/25/09.

A current SENAES official with a background as a *Cáritas* technician and public official in Rio Grande do Sul[14] indicates that the concept of Popular Solidarity Economy represents the adoption by the state of a concept created by *Cáritas* itself, based on the methodology of the Alternative Community Projects (PACs):

> "*I and* [X][15] *were part of a working group within Cáritas that created the concept of Popular Solidarity Economy. That concept was formulated because Cáritas was working with the PACs."*

A report written in 2005 on the outcomes of this program states that the main factor that differentiated it from previous policies was the principle of "collective efficiency". According to this principle, the allocation of resources should promote not only the organizational sustainability of popular cooperatives, namely through their capacity for generating revenue (conceptualized as "individual sustainability"), but also their capacity for contributing to the sustainable development of their community, by providing goods and services that fulfill local needs and contribute to the promotion of local economies of scale (Barros, da Silva, Besson and Nespolo, 2005: 53).

For the implementation of the Program of Development of the Solidarity Economy of the Popular Classes, the municipal administration created the "*Supervisão de Economia Popular Solidária*" (Supervisory of Popular Solidarity Economy) within SMIC – *Secretaria Municipal de Indústria e Comércio* (Municipal Secretariat of Industry and Commerce). In the following years, this public body was

[14] Interview carried out in Brasília on 11/25/08.
[15] A current national-level Cáritas technician, interviewed in Brasília on 07/24/07.

responsible for the creation of six public incubators[16] of popular cooperatives, six shops for the commercialization of products by popular cooperatives and 13 waste sorting and recycling units around the city of Porto Alegre. Besides, it also sponsored the organization of regular fairs around the city (Barros, da Silva, Besson & Nespolo, 2005: 67). Moreover, the municipality also created *Portosol*, the first popular credit bank in the country, which offered credit to popular cooperatives at interest rates lower than those practiced in the market.[17] In order for a popular cooperative to benefit from these initiatives, it was necessary to include among its members at least by four people who have participated in technical training and certification programs promoted by the municipality and were regular participants in the Solidarity Economy Forum of the Porto Alegre Metropolitan Region[18] (popularly known as popularly known as "*Forum Metropolitano*"), created in 1997[19] to support the implementation of these policies.

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[16] The methodology of incubation of popular cooperatives is based on that of government and university-based programs of small and medium enterprises. However, it has been adapted to take into account the deficit of literacy and technical preparation, as well as access to technology and know-how, that entrepreneurs from the popular classes suffer in relation to those of the middle and upper classes. It has also been adapted to promote the development of management skills among all members of participating cooperatives, so as to promote practices of democratic self-management. For that purpose, both public and university-based incubators of popular cooperatives combine the use of Freirean methods to promote socio-political education, democratize management and technical knowledge and support the formation of units of production.

[17] None of the interviewees from Porto Alegre or surrounding municipalities declared having had access to funds from Portosol. Sources from within the movement and the current municipal administration of Porto Alegre claim that Portosol closed down after PT was substituted by PMDB at the municipal government.

[18] Translation of *Forum Metropolitano de Economia Popular Solidária*.

[19] The year of 1997 was also marked by the foundation of the Solidarity Economy Forums of Viamão and Canoas, as well as the *Forum Metropolitano de Economia Popular Solidária* (Forum of Popular Solidarity Economy of the Metropolitan Region [of Porto Alegre]), gathering representatives of popular cooperatives from the metropolitan region of Porto Alegre.

The municipal administration of Viamão emulated that of Porto Alegre by introducing, in 1997, a program of technical assistance to popular cooperatives, as well as four weekly fairs in different public areas around the city to support the commercialization of their products. In 2000 and 2001, the municipalities of Cachoeirinha and Gravataí, introduced similar programs, complemented by microcredit schemes run by the municipal administration. Pelotas, Caxias and Santa Maria introduced similar policy programs during the same period.

According to a technician from *Cáritas*, as well as a former official of the state level and municipal-level administration of Porto Alegre, the introduction of these policy programs was to a large extent the result of the political pressure carried out by *Cáritas* on elected officials whom, in their majority, had a background in Catholic left-wing grassroots activism, either within CEBs or in the framework of *Ação Católica*.[20] Besides, the municipal governments in the metropolitan area of Porto Alegre, as well as in Caxias, Pelotas and Santa Maria, engaged *Cáritas* as a partner in the design and implementation of policy programs of support to Solidarity Economy.[21]

The same respondents claim that *Cáritas* also had a fundamental role in the creation of a state-level policy program of support to Solidarity Economy during 1999-2002 PT-led state-level government of Olivio Dutra. During that period, the government created, within SEDAI – *Secretaria de Desenvolvimento e dos Assuntos Internacionais* (Secretariat of Development and International Affairs), a state-level

[20] Idem, also interview with a technician of *Cáritas* Rio Grande do Sul, Porto Alegre, 03/25/09.
[21] Idem

Policy Program of Support to the Solidarity Economy of the Popular Classes, with the support of not only *Cáritas*, but also FASE and IBASE.[22]

This state-level program complemented those at the municipal level by making available a larger amount of financial and technical resources and promoting the establishment of production and commercialization partnerships between popular cooperatives beyond the municipal level. The government established a partnership with ANTEAG to coordinate the implementation of technical assistance to popular cooperatives, for which it counted with expertise from CAMP, university-based incubators affiliated with UNITRABALHO and "*Escola 8 de Março*", a labor union school affiliated to CUT. These organizations provided methodologies and technicians for the provision of technical assistance to popular cooperatives, administrated through the CRDT – *Centros Regionais de Desenvolvimento, Trabalho e Renda* (Regional Centers of Economic Development, Employment and Income Generation), with the support of a state-level participatory budgeting mechanism (Icaza, 2008: 216). It also established a line of funding for a yearly state-level fair taking place in Porto Alegre, as well as a yearly national-level fair in Santa Maria that gained an international status in the early '00's. Regarding the provision of credit, it promoted a partnership with BNDES- Brazilian Development Bank[23], for the funding of popular cooperatives at the state level. The

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[22] Interview with a technician of Cáritas Rio Grande do Sul, Porto Alegre, 03/25/09.
[22] Idem
[23] http://www.bndes.gov.br/SiteBNDES/bndes/bndes_en/

introduction of state-level policy programs also led to the creation, in 2003, of the state-level "Gaucho"[24] Forum of Solidarity Economy (FGEPS).

The electoral defeat of PT at the state level in the 2002 general elections, in favor of PMDB, meant the end of the state-level program of support to Solidarity Economy. However, the victory of PMDB in Porto Alegre on the 2004 municipal elections did not lead to the elimination of policy programs of support to Solidarity Economy, although these were affected by budget cutbacks that led to the closing down of public "incubator" and substantially reduced the amount of state-sponsored skills development initiatives.. According to Icaza, the major reason was the degree of institutionalization that they gained thanks to the mobilization promoted by the municipal-level Solidarity Economy Forums (2008: 204). Still, documents produced by the municipal administration of Porto Alegre, led by PMDB, which succeeded that of PT in 2005, indicate that the programs of support to Solidarity Economy were reframed in a way that eliminated references to class-based mobilization and "collective efficiency" and focused on the promotion of the "individual efficiency" of cooperatives (Prefeitura de Porto Alegre, 2006a, 2006b, 2006c). That meant, for example, the privileging of the development of technical and management skills and the elimination of the socio-political component of skills development programs. In the definition of public policies for Solidarity Economy, the term "*Economia Popular Solidária*" (Solidarity Economy of the Popular Classes) was replaced by '*Economia Solidária*". In the context of the new program of "*Governança Solidária*" (Solidarity-based governance), Solidarity Economy policy-

[24] "Gaucho" is a vernacular term used in Brazil to refer to the natives of Rio Grande do Sul.

making was reframed within a "third way" approach to state/civil society partnerships that conceives it above all as a poverty alleviation strategy, aimed at containing the negative social externalities of neoliberal development.

The electoral politics of Solidarity Economy legislation

It was part of the plan of Dutra's government to create laws at the state and municipal level that would turn the programs of support to Solidarity Economy from government policy programs into legally sanctioned public policies that would remain active after other political parties substituted PT in public administration. However, by the end of Dutra's mandate in 2002, neither the state nor any of the municipal governments managed to have such laws approved in the respective legislative assemblies. Meanwhile, the towns of Canoas, Viamão and Santa Maria gained municipal-level laws of support to Solidarity Economy in 2008. In Canoas, the approval of the law happened as a result of the election, for the first time ever, of a PT-led municipal administration. In Viamão, PT has been in power since the early '90's, a fact that facilitated the approval of the municipal-level law for Solidarity Economy.

In Santa Maria, the approval of the law happened despite the substitution, at the municipal level government, of PT for PMDB. Fieldwork data indicates that the approval of such law is to a large extent the result of the success of *Projeto Esperança/Cooesperança* in combating poverty in the region, namely by promoting the commercialization of goods produced by the large population of small farmers. Besides, being a project developed by *Cáritas*, *Esperança/Cooesperança* is connected

to the Catholic Church, which is a significant political force in the region, given its capacity of mobilization of the predominantly practicing Catholic population. However, while being interviewed, the current coordinators of *Projeto Esperança/Cooesperança* indicated that, in order to promote the approval of this law, they had to frame it as an anti-poverty measure, therefore excluding any reference to their Marxist/Left beliefs, inspired by Liberation Theology, and therefore to the goal of popular empowerment that is inherent to the project.[25] An interview with the current Vice-mayor of Santa Maria[26] indicated that the current administration has a compensatory, "third way" approach to state/civil society partnerships, conceiving them as a strategy for containing the negative social externalities of neoliberal development. The interviewee stated that

> "*The implementation of the municipal-level law for Solidarity Economy is not done exclusively by the municipal administration, as we count with the collaboration of civil society, namely Projeto Esperança/Cooesperança. The main goal of this partnership is to create opportunities for employment and income generation. (…) Small [agricultural] producers lost their direct connection to consumers, as well as their ability to negotiate a fair price for their goods, due to a concentration [of commercialization] in large supermarkets, such as Walmart. Facing this situation, the role of the state and NGOs is to promote the interests of small producers by organizing them in networks, so that they can promote their interests more effectively vis-à-vis large purchasers. (…) Large supermarket chains, such as Carrefour, Wal-mart Bourbon and Zafre, currently purchase about 90% of agricultural products from small and medium-sized farms in the region. (…) The strategy of our administration is to promote alternative venues of commercialization and empower producers vis-à-vis those corporations.*"

[25] The interviews with the current coordinator and vice-coordinator of *Projeto Esperança/Cooesperança* took place in Santa Maria, Rio Grande do Sul, on 04/06/09.
[26] The interview took place at the Town Hall of Santa Maria on 04/06/09.

Meanwhile, the PT opposition kept on pushing for the creation of a law of support for Solidarity Economy at the state level, as well as in the municipality of Porto Alegre, where a law proposal has been circulating at the Municipal-level Legislative Assembly since the early '00's. At the state level, the "*Frente Parlamentar de Economia Solidária*" (Parliamentary Front of support to Solidarity Economy), based at the State-level Legislative Assembly led by PT members, has been playing a fundamental role in such process. In the early '00's, Representative Elvino Bohn-Gass, affiliated to DS and leader of the Parliamentary Front, drafted a law proposal that was approved in 2005 at the Legislative Assembly, but subsequently vetoed by the then PMDB-led government. Since then, FGEPS has been trying to overcome the government veto by presenting the same law proposal once again to the Legislative Assembly, with the support of the Parliamentary Commission for Legislative Participation, also led by Bohn-Gass.[27] At the time of fieldwork, this law proposal was still being discussed at the Legislative Assembly.

The Solidarity Economy movement in Rio de Janeiro faced a similar situation when the Forum for the Development of Popular Cooperatives of the State of Rio de Janeiro (FCP)[28] managed to have approved, at the state-level Legislative Assembly, a law of support to Solidarity Economy, which would create state-level public policies for the sector. However, despite parliamentary support, the then PMDB-led government vetoed the law. The veto was eliminated in November 2008, after the election of a new state-level government that, although led by PMDB, included PT as

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[27] Interview carried out at Bohn-Gass' office at the state-level Legislative Assembly of Rio Grande do Sul on 06/24/09.

[28] Translation of Forum de Desenvolvimento do Cooperativismo Popular do Rio de Janeiro (FCP).

a minority partner in the coalition. Benedita da Silva, former PT governor of the state of Rio de Janeiro, was chosen as Secretary of State for Human Rights. By the time of completion of fieldwork, the state-level government was regulating the implementation of the law, in close dialogue with the FCP. The two bodies were also negotiating the setting up of the State-level Council of Solidarity Economy, an instance of participatory policy-making predicted in the law of support to Solidarity Economy that will count with the participation of representatives from popular cooperatives, NGOs and the state.

Grassroots politics vs corporatism: The creation of SENAES, CNES and FBES

The recognition of Solidarity Economy as an area of national-level policy-making happened as the result of mobilizations that took place during the first and second editions of the World Social Forum. Such mobilizations took the form of the Brazilian Working Group of Solidarity Economy of the World Social Forum, commonly known as "*GT Brasileiro*", formed in 2001 to promote a national-level convergence between civil society organizations and PT-led public administrations working with popular cooperatives. "*GT Brasileiro*" counted with the participation of PACS, *Cáritas Brasileira*, FASE, IBASE and the MST/CONCRAB[29], as well as of the

[29] According to interviews with two national-level leaders of MST/CONCRAB, which took place in July 2007 at CONCRAB's headquarters in Brasilia, this organization decided not to take part in the institutional structures of FBES when it was formally created in 2003. The participation of MST in the Solidarity Economy movement currently consists in the commercialization of goods produced by MST settlements on municipal, state and national-level Solidarity Economy fairs organized in Rio Grande do Sul. The mediation between MST/CONCRAB and the organizing committees of these events is made by *Pastoral da Terra*.

following organizations, created during the 1990's and the year 2000 in response to rising unemployment and economic informality (GT Brasileiro, 2002):

- ABCRED – *Associação Brasileira de Institutições de Microcrédito* (Brazilian Association of Microcredit Institutions)[30];
- RBSES – *Rede Brasileira de Socio-economia Solidária* (Brazilian Network of Solidarity Socio-economy);
- ITCP – *Rede de Incubadoras Tecnológicas de Cooperativas Populares* (Network of University-based Incubators of Popular Cooperatives);
- ANTEAG – *Associação Nacional de Trabalhadores e Empresas em Autogestão* (National Association of Workers and Enterprises in a Regime of Self-Management)[31];
- The UNITRABALHO network of participatory action research centers on working-class organizations[32];
- ADS-CUT – *Agência Para of Desenvolvimento Solidário* (Agency for Solidarity-based development)[33];

Besides, "*GT Brasileiro*" also counted with the support and participation of SEDAI and the Secretariat for Development, Labor and Solidarity of the then PT-led municipal administration of São Paulo (Idem).

During the First National Plenary of Solidarity Economy, which took place in December 2002, the participating public officials from PT-led administrations created *Rede Brasileira de Gestores de Políticas Públicas de Economia Solidária*

[30] http://www.abcred.org.br/
[31] http://www.anteag.org.br/
[32] http://www.unitrabalho.org.br/
[33] http://www.ads.org.br/

(National Network of Managers of Public Policies for Solidarity Economy), commonly known as "*Rede de Gestores*", which became also a member of "*GT Brasileiro*". At the time, this network was composed mainly by public officials from the PT-led municipalities and the state-level government of Rio Grande do Sul, having expanded since 2003 as the result of the implementation of state and municipal-level government programs for Solidarity Economy around the country.

In the aftermath of PT's victory in the general elections of October 2002, "*GT Brasileiro"* negotiated, with members of the future Lula da Silva administration, a set of public policies for Solidarity Economy, as well as the proposal of creation of a Ministry for Solidarity Economy, which ended up being abandoned in favor of that of the creation of the National Secretariat for Solidarity Economy (SENAES). Marcos Arruda[34] and a technician from another Rio de Janeiro-based NGO[35] claim that the initial goal of the participants in the First National Plenary was to propose the creation of a Ministry for Solidarity Economy that would relate directly to the Solidarity Economy movement, without the intermediation of corporative structures. However, in exchanges with members of the future administration, they realized that such goal would not be possible, since it clashed with the corporatist structuring of state/civil society relations that characterizes other areas of national-level policy-making. Therefore, the participants agreed on a compromise solution, which was the creation of SENAES as department of the Ministry of Labor. According to Icaza, the public profile of some leaders of NGOs taking part in "*GT*

[34] Notes of a conversation carried out on 08/01/09.
[35] Interview carried out in Rio de Janeiro on 09/24/08.

Brasilieiro", as well as their personal and political proximity to some of members of the future government, including president Luís Inácio Lula da Silva, contributed to the future government's concession of creating SENAES and appointing Paul Singer as its director general (Icaza, 2008: 219-20).

The competences of SENAES were publicly regulated by the government decree nr. 4.764 of June 24 2003, which also predicted the creation of the National Council of Solidarity Economy (CNES), conceived by the Ministry of Labor as a corporative structure, composed by representatives from the state, civil society and popular cooperatives, that would meet twice a year to formulate law and public policy proposals.

On the 9th and 10th of December 2002, *GT Brasileiro* organized the First National Plenary of the Solidarity Economy movement. The outcome was a collective letter[36] asking the incoming government of president Lula da Silva to adopt, as the core of its economic policy, a development model based on the construction of socially and environmentally sustainable local-level supply chains, based on collective ownership and democratic management. According to the letter, such model should remove the legal and fiscal barriers to the formalization of popular cooperatives and the creation of new ones within the formal market. Besides, it should also promote the creation of community-based financial schemes for the provision of credit adapted to the needs of popular cooperatives. Such model should also promote the development of adequate technologies for the needs of popular cooperatives, as well as support the democratization of economic, technical

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[36] Known as "Carta ao Governo Lula" (Letter to Lula's Government).

and management knowledge. Besides, SENAES should carry out a "mapping" of popular cooperatives, in the form of a census, In order to properly assess the needs of popular cooperatives in terms of credit and technical assistance (GT Brasileiro, 2002: 35-51).

The participants of the First National Plenary also agreed on the creation of the Brazilian Forum of Solidarity Economy (FBES), which role would be to mobilize the Solidarity Economy movement, with the purpose of elaborating policy demands to be presented to the state via CNES, as well as collaborate with SENAES in their formulation and implementation. The internal structure of FBES was defined during the Second and Third National Plenary of the Solidarity Economy movement, which took place respectively on the 3rd edition of the World Social Forum in January 2003 and in the last week of June of the same year (GT Brasileiro, 2002: 61).

The development model proposed by the participants of the First National Plenary ended up not being adopted by Lula's government. According to Marcos Arruda[37] and the same technician from another Rio de Janeiro-based NGO[38], that happened because Solidarity Economy clashed with the developmentalist principles of the economic development agenda of the future government. However, the Ministry of Labor agreed to endow SENAES with the capacity to support the organizational capacity of popular cooperatives with technically oriented public

[37] Notes of a private communication that took place on 08/01/09.
[38] Interview carried out in Rio de Janeiro on 09/24/08.

policies in the areas of technical assistance, professional training, community-based finance and commercialization.[39]

FBES and the state as co-producers of law projects and public policies

The strategy that FBES follows in its engagement with the state at the national level is twofold: On the one hand, FBES engages with both the grassroots and the National Congress in the production of law projects for the sector and in advocating for its approval. The Parliamentary Front on Solidarity Economy, created at the National Congress on May 2007 and composed by parliamentarians from all across the political spectrum, has been playing a fundamental role in the elaboration of law projects for the sector. On the other hand, its participating organizations co-produce and co-implement, together with SENAES, public policy programs aimed at promoting the organizational capacity of not only popular cooperatives but also of the movement itself.[40]

There are currently circulating at the National Congress three major law projects for the Solidarity Economy sector.[41] One of them, submitted to Congress on August 2008, aims to create a specific taxation scale for cooperatives. Another, submitted in September of the same year, aims to establish a national system of

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[40] According to data from *Tribunal de Contas da União*, the national-level court that supervises the budget of the Brazilian government[40], between 2004 and 2008 SENAES received 57.4 million Reais for its policy programs. Of these, only 21.4 million, or 37.3% of the total amount, was allocated by SENAES. The remaining amount was provided by the Agrarian and Social Development ministries, among other national-level public bodies. The amount provided by SENAES represents less that 0.25% of the total 20 532.2 million Reais applied in the implementation of policy programs by the Ministry of Labor.
[41] The three law projects can be consulted at
http://www.fbes.org.br/index.php?option=com_docman&task=cat_view&gid=419&Itemid=216

"Popular Banks of Solidarity-based Development", based on the model developed by *Banco Palmas*, which shall be politically represented at the National Council of Popular and Solidarity-based Finance, a participatory body which shall regulate their functioning. The third one is a "law project of popular initiative" aimed at upgrading the government policy programs created by the Lula da Silva administration for Solidarity Economy into a national-level state policy institutionalized by law.[42] This law project aims to create a National Policy for Solidarity Economy, supported by a National System of Solidarity Economy, which shall be a participatory policy-making body composed by representatives of the several ministries and secretariats of state involved in policy-making for the sector, on for transversal social policies that include measures of support to grassroots cooperative production. Besides deliberating on and managing public policies, this body will also develop research on Solidarity Economy, in collaboration with universities, activist NGOs, labor movement organizations and other qualified bodies. The law project also predicts the creation of a National Fund for Solidarity Economy, aimed at funding public policies for the sector.

National-level public policies for Solidarity Economy

With the purpose of supporting policy-making and implementation SENAES created "*Brasil Local*"[43], a policy program that finances the hiring of "Local

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[42] According to articles 1 – 14, II I and 61 of the Brazilian Constitution, as well as articles 13 and 14 of law 9.709/98, this type of law project can be automatically approved, without being voted in Congress, if its authors can amass at least one million valid signatures among Brazilian citizens.

[43] http://www.mte.gov.br/ecosolidaria/prog_promocao_brasil.asp This project aims to promote a more efficient access by the state to what Wainwright (1993) would call the "tacit" knowledge of

Development Agents" chosen by communities. Their major role of these agents is to identify the needs of popular cooperatives and support their fulfillment by promoting access to resources from civil society organizations and the state. With the same purpose, SENAES created the National System of Information on Solidarity Economy (SNIES), an online database on the characteristics and needs of popular cooperatives across the country. This database is updated by regular national-level surveys, known within the Solidarity Economy movement as "mapping" processes.[44]

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popular cooperatives, and for these to have better access to the state, its resources and technical knowledge. This project started as specifically aimed to indigenous and "quilombola" communities. However, it was then extended to include other urban and rural communities that are not organized around tribal or ethnic lines.

The University of Brasilia is currently responsible for the management of this project. "*Brasil Local*" finances the hiring of "Local Development Agents", chosen by organized communities. The role of these agents is, on one hand, to diffuse knowledge on what Solidarity Economy is and how to organize popular cooperatives or finance and commercialization collectives, and on the other hand, to identify needs among their constituents and support their fulfillment by promoting the establishment of partnerships between cooperatives, as well as between them and civil society organizations. Besides, "Local Development Agents" inform the state about needs in their local community and support its members in accessing public funds. In that sense, "*Brasil Local"* promotes efficiency in the implementation of national as well as state and municipal-level public policies for Solidarity Economy. Besides, it also provides the state with the "tacit" knowledge necessary for the efficient formulation and implementation of policy interventions. At the time of fieldwork, there were 510 "Local Development Agents" hired through "*Brasil Local*" across 26 states.

[44] SNIES is an online database on the characteristics and needs of popular cooperatives across the country, which was build collaboratively between SENAES, with the technical support of the ITCP and UNITRABALHO networks, and the state-level Solidarity Economy forums, which engage both NGO technicians and workers in the identification and surveying of popular cooperatives. The basic condition for the inclusion of a productive project in the "mapping" exercise is that it must be supra familial, meaning that its participants should not all belong to the same household. Each state-level forum must constitute a consortium of organizations, led by one NGO or university-based "incubator", and send an expression of interest to FINEP, which allocates and manages the resources for this project in partnership with a national-level "managing council", which currently includes representatives from IBASE, FASE, UNISOL and UNITRABALHO, among other institutional participants, This program has been managed since 2004 by a former CEB activist and long time collaborator of *Cáritas* in Brazil. The purpose of this surveying process, commonly known as "mapping", is to support public policy formulation, as well as initiatives of grassroots mobilization, popular education and training for popular cooperatives. Besides, it also aims to support the National Campaign of Information and Social Mobilization around Solidarity Economy, as well as research projects, carried out by universities, NGOs and think-tanks, aimed at developing technologies and management tools that respond to the needs of popular cooperatives. The first survey came out in 2005, the second in 2007. The third national-level survey is estimated to become available to the public in late 2010.

Since 2004, SENAES has been supporting financially the organization of fairs and other commercialization events by the Solidarity Economy movement. From 2005 onwards, such support became more solid through a partnership with the Bank of Brazil Foundation and the Ministry of Agrarian Development, so as to better promote the commercialization of family-based agricultural products in such events. Such partnership also counted with FBES and IMS - *Instituto Marista de Solidariedade*, an organization of social assistance and popular education and mobilization connected with *Cáritas*. All these organizations are part of a managing committee that produces calls for tender and selects projects of fairs and other commercialization events. IMS currently coordinates the organization of Solidarity Economy fairs at the national level. [45] This line of action also aims to develop a National System of Fair and Solidarity-based Trade by developing a certification system and a set of norms and monitoring mechanisms for its implementation. It also aims to promote activities of training and technical assistance, as well as develop a credit mechanism so as to support the implementation of this branding system. This project is currently being coordinated by a collective composed by representatives of FBES, the Ministry of Agrarian Development, FACES (the Brazilian Fair Trade Association)[46] and UNICAFES, the National Association of Solidarity Economy-based Family Agriculture Cooperatives.[47] The current coordinator of this project is Euclides Mance.

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[45] http://www.mte.gov.br/ecosolidaria/prog_organizacao_feiras.asp
[46] http://www.facesdobrasil.org.br/
[47] http://www.unicafes.org.br/

SENAES has also been supporting technical assistance to production units. It assumed the management of PRONINC, with the purpose of better coordinating the support given to university-based “incubators” of workers cooperatives with other policy programs managed by SENAES, as well as better promoting the articulation of “incubators” with other institutional participants of the Solidarity Economy movement. [48] Besides, SENAES is also supporting the education and professional training of workers in the sector, namely through the creation, in partnership with the Secretariat for Public Policies for the Promotion of Employment, of PlanSeQ Ecosol, the sectoral plan of professional qualification for workers of the Solidarity Economy sector..[49]

SENAES is also working with the Ministry of Education and Culture in the articulation of initiatives of professional qualification for workers of the Solidarity Economy sector with the promotion of literacy and life-long education.[50] In 2008, it started supporting a national-level network of training centers on Solidarity Economy.[51] This network, managed by IMS, is composed by five regional-level training centers, one for each region of Brazil, plus a national-level coordination center.[52] The Solidarity Economy forums play a role in the choice of participants in the courses organized by these training centers, in a way that promotes the equal participation of workers, technicians from participating organizations and public officials. In addition to that, SENAES has been sponsoring technical assistance

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[48] http://www.mte.gov.br/ecosolidaria/prog_incubadoras.asp
[49] http://www.mte.gov.br/ecosolidaria/prog_formacao.asp
[50] http://www.mte.gov.br/ecosolidaria/prog_formacao_eja.asp
[51] http://www.mte.gov.br/ecosolidaria/prog_formacao_centro.asp
[52] South, Southeast, Center-west, North, Northeast.

programs specifically tailored for the development of supply chains. Such support is provided in the form of funding for technical assistance, the construction of production infrastructures and the support to the commercialization of products in fairs and shops. [53] Since 2006, SENAES introduced a policy program, in partnership with ANTEAG and UNISOL Brasil, aimed at supporting company takeovers by workers and their transformation into sustainable cooperatives by financing courses, seminars and workshops, diagnostic and economic viability studies, the elaboration of grant projects, as well as technical assistance.

SENAES also created three policy programs aimed at supporting Solidarity Economy-based finance: The inter-ministerial National Program of Production-oriented Microcredit, which in December 2005 was instituted by law as a state policy program, and two government policy programs aimed at supporting "rotational funds" and promoting the creation of state-supported community development banks across the country, having *Banco Palmas* as a template. Such support takes the form of the funding of technical assistance and facilitation of partnerships between community and public banks. These two policy programs

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[53] http://www.mte.gov.br/ecosolidaria/prog_fomento_assistencia_conheca.asp Among the most significant projects supported by this line of action is the support given to the Association of Collectors of Recyclable Waste in the city of Belo Horizonte. Such support took the form of the construction of recycling units, which at the time of fieldwork benefitted more than 750 waste collectors and their families in the metropolitan region of Belo Horizonte. Another significant outcome was the support given to the constitution, in 2005, of "Justa Trama", an organic cotton textile supply chain that includes cooperatives from 11 Brazilian states, which provide work and income to more than 700 workers and produce more than 1.5 tons of cotton and 12000 clothing pieces per year. The network was constituted in 2005 with the purpose of producing bags for the participants of the World Social Forum in that year. All the cooperatives taking part in "Justa Trama" are members of UNISOL, who in 2006 became the coordinator of the network.

were co-created with *Cáritas* and *Banco Palmas*, who also participate in their implementation.[54]

Conclusions

The analysis of the economic policy choices of PT-led governments in Rio Grande do Sul, as well as Lula da Silva's administration, indicates that Michel's "Iron Law of Oligarchy" is limited by its neglect of the role of environmental ties in promoting or curbing oligarchy within political parties. On one hand, it does not take into account that the limits posed on the political agency of party leaderships by imbalances in class power and dependent development promotes oligarchization, as it makes compromising with national international elites necessary to ensure the conditions for governability. As a result, party leaders and their technical and political skills, necessary to manage such alliances, gained importance in detriment of grassroots inputs. The result was the option of the core leadership of PT for a "third way" state capitalist development model. PT-led administrations at the state and national level have been dealing with such alliances by counterbalancing the compromise of the party's initial socialist orientation for a "third way" position with the resorting to policy incentives to local production and consumption. PT-led municipal and state-level administrations in Rio Grande do Sul have promoted such goals through incentives to small and medium enterprises. Lula da Silva's government complemented incentives to national supply and demand

[54] http://www.mte.gov.br/ecosolidaria/prog_fomento_financas.asp

were complemented with the strengthening of trade and investment relations with other emerging markets. .

On the other hand, Michel's theory does not account for the role that ties between external organizations and internal factions within a party may have in promoting or curbing oligarchical tendencies, namely by promoting or counterbalancing ideological and political compromises established by party core leaderships with economic elites. The social ties connecting civil society organizations to Marxist/Left oriented PT leaderships explain to a large extent the coexistence between Solidarity Economy public policies and a core neoliberal economic development program in PT-led administrations. That happened despite the shift, during the '80's and '90's, of PT's internal balance of power from a Marxist/left tendency to one based on a "third way" approach to politics. During the same period, PT concentrated its efforts increasingly more on electoral competition, in detriment of its original commitment to supporting grassroots organizations in their efforts of popular mobilization. Still, the ties between grassroots organizations and PT leaderships with a Marxist/Left orientation remained significant enough to promote public policies that apparently counter the "third way" turn in the core political orientation of PT.

The ties that the significant Marxist/Left minority within PT retains with civil society organizations indicates that Lipset's (1956) thesis on the democratizing effects of intermediary organizations, based on his analysis of the internal dynamics of an American labor union, may also be applicable to the external alliances of working class political parties, such as PT, which include a variety of ideological

tendencies that act as diverse centers of power. The more recent work carried out by social scientists such as Cohen and Rogers (1995) indicates that ties between public administrations and civil society organizations have a democratizing effect not only within political parties, but also on the state itself, at least in terms of promoting grassroots participation and making public resources available for popular empowerment.

However, the compromise civil society organizations had to make with the incoming Lula da Silva administration, in terms of both the content of co-produced Solidarity Economy policies and the institutional arrangements for their implementation, shows that their power to limit party oligarchization and ideological compromises with economic elites is more limited in the absence of an ideological affinity between civil society organizations and party leaderships.

The promotion of Solidarity Economy policies by civil society organizations in Brazil is to a large extent the result of path-dependent economic and institutional constraints that reduced the capacity of labor unionism to have a significant impact on the betterment of the living conditions of the working class. Their success in promoting the creation of public policies for Solidarity Economy indicates that ties between civil society organizations and party leaderships may limit the "Iron Law of Oligarchy", to the extent that they canalize demands that the party has to respond to, so as to maintain its base of political support.

The canalization of grassroots demands is particularly successful when there is an ideological affinity between base organizations and party leaderships. That was the case of municipal and state-level administrations in Rio Grande do Sul, in

which public officials politically aligned with DS canalized demands from below in a way that promoted the institutionalization of previous party/social movement engagements. Such institutionalization took the form of a co-production of public policies for Solidarity Economy, supported in their implementation by Participatory Budgeting, as well as municipal and state-level Solidarity Economy forums.

However, the continuity of Solidarity Economy policies is threatened when the electoral rotation of parties in power breaks the ideological synchrony between civil society organizations and the government. In cases when grassroots pressure is strong enough, namely due to the creation of Solidarity Economy forums that promote the organization of beneficiaries into a united political front, the new administrations may maintain those policies, although changing their ideological framing and political goals. That was the case of the policies promoted by the municipal administration of Porto Alegre, which were initially conceived as an instrument of promotion of empowerment of the popular classes but were reframed as "third-way" poverty-alleviation policies with the election of a PMDB-led administration.

The production of laws of support for Solidarity Economy was affected by similar dynamics. The towns of Canoas and Viamão managed to approve laws with a clear classist framing, thanks to a large extent to the presence of PT-led administrations. The town of Santa Maria managed to approve a municipal-level law in 2008, despite the electoral defeat of PT and the accession of a PMDB-led municipal administration. However, the approval of the law was to a large extent the result of ideological compromises, from the part of *Projeto Esperança/Cooesperança*,

which resulted in the framing of the law as an instrument of promotion of a "third way" type of anti-poverty program. Although the State-level Legislative Assemblies of Rio Grande do Sul and Rio de Janeiro approved state-level laws for Solidarity Economy, these laws were subsequently vetoed by PMDB-led governments.

Grassroots participation in the co-production of public policies doesn't mean that the Solidarity Economy movement became immune to cooptation by the state or party-based leaderships, either through the framing of Solidarity Economy policies as part of a compensatory, "third way" framework or the instrumentalization of the Solidarity Economy forums for the purpose of electoral competition. The following chapter will analyze the impact of such pressures on the Solidarity Economy movement.

CHAPTER IV
Solidarity Economy programs and their effect on the economy of the Brazilian "pooretariat"

The current chapter analyses the contribution of different types of institutional intervention, promoted by civil society organizations and the state, to the organizational empowerment of production units, namely their economic sustainability and autonomy vis-à-vis institutional supporters. It puts in evidence the particularly empowering effects of the formation of supply chain-based economic networks, as well as the de-privatization of civil society-developed methodologies of grassroots income generation through the resource to policy programs. It approaches the organizational empowerment of production units from two perspectives: economic and epistemic. That means taking into account their capacity to produce, commercialize and generate income independently from institutional supporters, as well as to control the production of the know-how necessary for their functioning.

Such analysis is framed within a comparison between the strengths and limits of the forms of institutional intervention promoted by the movement, in partnership with the state, taking into account the characteristics, needs and challenges of the different sub-sectors of activity within Solidarity Economy. It makes a distinction between two forms of institutional intervention: organizational support and corrective interventions. Organizational support refers to those actions aimed at equipping production units with the organizational structure and know-how necessary for their everyday functioning. Corrective interventions include measures aimed at containing environmental challenges to the functioning of

Solidarity Economy production units, namely those related to the access to production materials, opportunities of commercialization and credit. The data used in this chapter is a combination between fieldwork data and statistical information collected by SENAES during the latest "mapping" exercise, which was published in 2007 in "*Sistema Nacional de Informação em Economia Solidária*" ("National System of Information of Solidarity Economy" – SNIES)[1].

Dimensions of the Solidarity Economy sector

Amount of production units and total revenue

Tables I, II and III[2], based on data published in SNIES in 2007, give an idea of the dimensions and basic characteristics of the Solidarity Economy sector in Brazil, as well as in the states of Rio de Janeiro and Rio Grande do Sul. According to Table I, the sector is comprised, at the national level, by a total of 21 859 production units which, during that year, have produced a total of R$7 863 353 393.4 in aggregate revenue. When compared with national-level data on GDP and the total universe of capitalist enterprises for the same year, this information shows that the Solidarity Economy sector in Brazil represents a negligible part of the national economy. According to data from the Brazilian Institute of Geography and Statistics, the national GDP was R$ 2 661 344 million in 2007 (IBGE, 2007a). In the same year, the national productive sector counted with a total of 4 420 345 enterprises (IBGE, 2007b). This means that total aggregate revenue produced by the Solidarity

[1] http://www.mte.gov.br/ecosolidaria/sies.asp

[2] For a question of space and in order to facilitate reading, the tables referred to in this chapter where placed in Annex I.

Economy sector represents 0.30% of the national GDP for that year, while the total amount of production units in the sector represents 0.49% of the total amount of enterprises. Table I also indicates that Solidarity Economy is a predominantly male sector, since 62% of the national-level total of 1 687 035 workers are male and only about 37% are female.

Table I also presents the dimensions and basic characteristics of the Solidarity Economy sectors in Rio de Janeiro and Rio Grande do Sul, as of 2007. They show that the total amount of production units in Rio de Janeiro was 1 343 and in Rio Grande do Sul 2 085. These values represent respectively 6.14% and 9.54% of the national amount. In 2007, the total revenue that Solidarity Economy production units produced in Rio de Janeiro and Rio Grande do Sul was R$23 125 071.7 and R$139 888 167.4, representing 0.29% and 1.78% of the total aggregate amount respectively. The total amount of participants in Rio de Janeiro is 65 846, representing 3.84% of the national total. Participants of the Solidarity Economy sector in Rio Grande do Sul, on the other hand, represent more than one fifth of the national aggregate amount, totaling 364 725 workers. Participation in the Solidarity Economy sector in these two states is predominantly male and follows a similar pattern as the national aggregate figures. In Rio de Janeiro, the total amount of male participants is 63.36%, while in Rio Grande do Sul is 70.40%.

Types of production units

Table I shows that Solidarity Economy is a sector composed overwhelmingly by small production units, as 74.55% of the national total has less than 50

associates. The most common size is between 21 and 49 associates, a category that aggregates 32.27% of production units, immediately followed by that of units with up to 10 associates, which includes another 24.55%. Table I also shows that Solidarity Economy production units are nearly equally divided between the formal and the informal economy, with 49.85% of the national level amount having formal status and the remaining 50.15% operating within the informal economy. The values for Rio de Janeiro and Rio Grande do Sul are 22% and 36% respectively.

This table shows that the Solidarity Economy sectors of Rio de Janeiro and Rio Grande do Sul are also atypical in terms of the size of production units. Although the vast majority of production units in both states have less than 50 associates, they still tend to be smaller than the national average. In the states of Rio de Janeiro and Rio Grande do Sul the predominant category is that of micro-units with up to 10 workers. In Rio de Janeiro, production units of this size represent 52.04% of the state-level total, while in Rio Grande do Sul they comprise 39.86% of the aggregate amount. The second most significant category for Rio de Janeiro is that of production units comprising 11 to 20 associates, which includes 18.60% of the total, while in Rio Grande do Sul is that of 21 to 49 associates, comprising 22.59% of the aggregate amount for the state.

According to Table II, the most common organizational form among Solidarity Economy production units in Brazil is that of workers' association[3], which

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[3]The *Código Civil* (Civil Code), a law that regulates contracts between private entities in Brazil, defines the characteristics that formal workers' associations must assume in articles 53 to 61 of its latest update, which took place with the promulgation of law nr. 10.406 of January 10 2002. This set of articles indicate that, in order to be considered an association, an organization must have a non-profit purpose and manage its activities collectively and in a democratic fashion in an assembly of associates, which shall meet regularly for the purpose of deliberation and/or voting on internal

can be both formal and informal. This category includes 51.81% of production units at the national level, although in Rio de Janeiro and Rio Grande do Sul they only represent 16.16% and 28.63% of production units respectively. According to a SENAES technician involved in the coordination of the "mapping" process[4], what differentiates informal workers' associations from those production units identified as "informal groups" is the fact that they tend to be larger, having at least 10 associates, and more institutionalized, making internal decisions in regular assembly meetings. The significance of workers' associations in the Solidarity Economy movement is to a large extent the result of the restrictive rules placed by the law on the constitution of cooperatives, as well as the heavy costs of formalization and fiscal burden placed on these organizations[5]. These facts lead many production units to either remain in the informal market, or to register as an

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affairs. Fieldwork data indicates that there are also many production units who function as a cooperative but opt to enter the formal market by registering themselves as a workers' association. That happens because those production units either do not have the minimum of 20 associates required by law nr. 5.764 of December 16 1971 to register as worker-owned cooperatives or who cannot afford to pay the formalization expenses and taxes that are imposed on this type of production units. Assuming the format of workers' association is therefore regarded as the most viable way for production units with less than 20 associates to organize their management and access a formal identity. The laws that regulate workers' cooperatives and associations can be consulted in the online database registration of the Brazilian Presidency at http://www4.planalto.gov.br/legislacao .

[4] Interview carried out at the headquarters of SENAES, Brasilia, 11/26/08.

[5]According to "Portal do Cooperativismo Popular" ("Portal of Workers' Cooperatives - http://www.cooperativismopopular.ufrj.br/perguntas.php#1), run by the headquarters of the ITCP network at the Federal University of Rio de Janeiro (UFRJ), the total cost of the procedures necessary for the formalization of a workers' cooperative is R$1 500 (the most recent consultation of the link was on 01/21/11). According to the same source, cooperatives had to pay the following tributes in 2009: (1) "Programa de Integração Social" ("Program of Social Integration" – PIS): 0.65% of the annual revenue. (2) "Contribuição para o Financiamento da Seguridade Social" ("Contribution to the Funding of Social Security – COFINS): 3% of the monthly revenue. Both PSI and COFINS are predicted in article 194 of the Federal Constitution of 1988. (3) "Imposto de Renda Pessoa Física" ("Individual Income Tax" – IRPF, as in law MP 340/2006: http://www.planalto.gov.br/CCIVIL_03/_Ato2004-2006/2006/Mpv/340.htm): As of 2009, cooperatives will have to discount 15% of the income of associates who earn between R$1 434.60 and R$2 866.70 per year and 27.5% from those who earn above R$2 866.70.

association so as to gain a formal identity while spending less in the process and avoiding the taxes imposed on cooperatives. A member of a production unit in Rio de Janeiro[6] that, at the time of fieldwork, was undergoing a process of registration claims that

> "*Although we function as a cooperative we opted to assume the identity of a workers' cooperative for three reasons: We don't have the minimum of 20 members required by law, the process of formalization for a workers' association is far easier and less expensive. Besides, we don't have to pay the heavy tax burden that is imposed on cooperatives. As long as the government does not change the law that regulates the functioning of cooperatives, there will be many production units who function as such and, although they aim to grow and make a profit, they will have to register themselves as a non-profit organization if they want to have any formal identity at all*."

Informal groups constitute the second largest category of production at the national level, with 36.49% of production units, and the first one in Rio de Janeiro and Rio Grande do Sul, including 73.41% and 49.11% of the state-level total. Only 9.67% of production units at the national level are formally registered as worker-owned cooperatives. In Rio Grande do Sul, this figure reaches 18.32%, which is about the double of the national figure, and while in Rio de Janeiro it is 8.27%.

Significance of the rural and urban sectors

Table I indicates that Solidarity Economy, when considered at the national level, is a predominantly rural sector, with 49% of production units operating within the rural economy and an additional 16.97% of the total operating within the rural and urban sectors. This is the case, for example, of urban orchards or

[6] This quote was collected during an informal conversation with the coordinator of the production unit, who authorized its use in the dissertation but requested the elimination of any possible identifiers, including the date in which the conversation took place.

agricultural units located in suburban areas. It is also the case of production units that have associates located in both rural and urban areas, the former dedicated themselves to agricultural production and the later to food processing or handicraft.

Table I also shows that, at the contrary of the national trend, Solidarity Economy is a predominantly urban sector in Rio de Janeiro and Rio Grande do Sul. In Rio de Janeiro 66.64% of production units were identified as working within the urban economy, while an additional 19.51% operated within the urban and the rural economy. Only 13.25% of production units within the state were identified as being exclusively rural. In Rio Grande do Sul, Solidarity Economy is more evenly divided between the urban and rural sectors. Urban production units are still the predominant category, representing 41.34% of the total amount for the state. Another 20.14% work both within the rural and the urban economy. The rural Solidarity Economy sector in Rio Grande do Sul includes 37.94% of production units within the state.

Table III shows that agriculture and animal husbandry are the predominant areas of production in the Solidarity Economy sector at the national level, as well as in Rio Grande do Sul, occupying respectively 40.22% of the national-level total and 20.05% in Rio Grande do Sul. In Rio de Janeiro, this area of activity, together with fisheries, includes only 4.77% of production units. Handicraft, especially of decorative products and personal accessories, is the second most common activity at the national level and in Rio Grande do Sul, including respectively 17.80% and 13.14% of production units. In Rio de Janeiro, it is the predominant activity within Solidarity Economy, being practiced by 52.42% of production units. It is

immediately followed by services such as cleaning and construction, which are provided by 4.92% of units. Food production and the recycling of waste, either for reuse as a staple or transformation into manufactured products, are respectively the third and fourth most significant areas of production at the national level, as well as in Rio Grande do Sul. They occupy respectively 7.80% and 3.28% of the national aggregate amount of production units at the national level, as well as 12.61% and 6.28% in Rio Grande do Sul.

Fieldwork data indicates a more complex economic reality within Solidarity Economy than that portrayed by SNIES. It shows that there are further subdivisions within sectors of production beyond the rural/urban divide. It also shows that the boundaries between Solidarity Economy and the so-called "parallel economy", especially in urban areas, are fluid and often the result of external institutional interventions.

The sub-sectors of rural and urban Solidarity Economy

Rural sub-sectors: Family-based agriculture and land reform settlements

Within the rural Solidarity Economy sector, one may find two sub-divisions, those of family-based agriculture and land reform settlements. Each of these two sectors has a distinct relationship to the means of production and is based upon different types of social relations and forms of organizing the management of internal affairs within production units.

In family-based agriculture, the ownership of land, machinery and livestock tends to be legally recognized, and transmitted hereditarily. The social relations that

support family-based agricultural production units are organic and based upon kinship solidarity. The management of family farms tends to be based upon informal rules that reflect the values and gendered division of labor of the patriarchal family. When two or more family farms get together to form a supra-familiar production group, they tend either to form informal groups or formal associations of producers, which are regulated by the same law as workers' associations.

The Tornatore family farm, located in the rural outskirts of Santa Maria and member of "*Esperança/Cooesperança*", is a typical example of this kind of production unit. Every visitor to the farm is received with a simmering bowl of home made chicken tortellini soup and a tour of the property by its enthusiastic owners, three brothers whose grandparents settled in that piece of land when they emigrated from northern Italy in the late 20th century.[7] According to one of the brothers, the "Nonno" and "Nonna"[8] Tornatore were given that property by the state government, which at the time was following a strategy of populating the highland region of Rio Grande do Sul with European immigrants by attracting them with offers of land ownership. Each of the three brothers live with their respective wives and minor children in separate houses within the property. However, they have a common kitchen and also share a barn, tractors, trucks and a hut where they produce cheese and fruit preserves. The family commercializes these products, together with fresh fruits and vegetables planted in the farm, at the weekly fairs that take place in the "*Centro de Referência Dom Ivo Lorscheider*". They do it together

[7] The visit to the Tornatore family form took place on 06/04/09.
[8] Affectionate term used to refer to "Grandfather" and "Grandmother" in Italian.

with a nuclear family living in a neighboring farm, whom they joined to create an informal commercialization group known as "*Terra Abundante*" ("Bountiful Earth").

This group was created because of the request by the *Cáritas* team that all the participants in "*Projeto Esperança/Cooesperança*" would be supra-familiar groups, so as to comply with the principles of Solidarity Economy, as well as promote economies of scale. The conversation at dinnertime reflects how the management of the farm follows the hierarchical and gendered division of labor that characterizes patriarchal families, especially in rural areas with a strong southern European influence. While the women cook and serve the food, the brothers sit with the guests[9] and talk about the farm and its participation in *"Esperança/Cooesperança*". All the members participate in planting, harvesting and livestock tending. They also all work together selling their products during the weekly fair at the "*Centro de Referência"*. Still, there is a clear division of labor in the sense that the management and external representation of the farm is in the hands of the men of the family. The older brother claimed that he coordinates the farm's accounts, its contacts with business partners and the representation of "*Terra Abundante*" at the Forum of the Central Region of Rio Grande do Sul, which is also the assembly of participants of *"Esperança/Cooesperança*". The two other men also participate in the management and business relations of the farm and substitute the older brother at the Forum of the Central Region when he is not able to attend meetings.

[9] In this visit, I was accompanied by an agricultural engineer hired by Cáritas to promote organic agriculture among beneficiaries.

The structure and functioning of the *"Assentamento Sepé Tiarajú"*[10] ("Sepé Tiaraju Settlement") is an illustrative example of the political economy of land reform settlements. This settlement, part of the Landless Workers' Movement (MST), is also located in the rural periphery of Santa Maria. It participates in the weekly fairs organized by *"Esperança/Cooesperança*", as well as in the management of the seeds' bank and the provision of training to other members of the project. The land were this settlement is located used to be an idle farm that was taken over by members of the movement. They knew each other from participation in Ecclesial Base Communities (CEBs) and received the support of *Pastoral da Terra* (Catholic Pastoral Commission for the Land) in the process of occupation and legalization of the settlement. Once the government recognized the ownership of the land, the coordinators of the settlement proceeded to its partition between participating families, which formed family-based farms. Still, the settlement has a legal identity as an association of producers. The management of the settlement takes place within an assembly of participants, which is carried out according to a set of formal rules. Besides, there are common areas that are used by inhabitants as schools, recreation and assembly spaces, as well as for the tending of livestock and production of foodstuffs. The coordinators of *"Assentamento Sepé Tiarajú"* represent the settlement at the Forum of the Central Region of Rio Grande do Sul.

Urban sub-sectors: The significance of social capital and previous unionization

[10] The visit to *"Assentamento Sepé Tiarajú"* also took place on 06/04/09.

One may find three sub-sectors within the urban Solidarity Economy sector. Two of them are coincident with the class division between the "pooretariat" issued from the "parallel" industrial economy and downwardly mobile sectors of the industrial working class. Another one is a borderline area where both sectors meet, which is to a large extent the result of differences in collective action against unemployment by unionized and non-unionized industrial workers.

One of these categories results from the "political economy of resistance" that promotes the economic survival of the urban "pooretariat" (Arruda, Quintela & Soriano, 2000; Sales & Quintela, 2010). This sub-sector is based upon solidarities among neighbors within shantytowns and often takes the form of barter groups in which people exchange goods and services, as well as informal groups composed by individual producers that get together to promote economies of scale and facilitate commercialization. According to Arruda, Quintela & Soriano (2000), these production units, as well as the neighborhood-based solidarities upon which they are based, tend to be composed in their vast majority by women. There are two factors which, according to the authors, make this sector predominantly female: One of them is the frequency of single-parent households, as a result of a very high rate of divorce or widowhood related with drug gang-related violence and substance abuse. Another is the exclusion from waged labor or underemployment that many shantytown inhabitants face as a result of racism and difficulties in accessing education and training. That fact makes it necessary for many women, even those who are married and engaged in paid work outside the home, to complement the family revenue with another source of income.

The boundary between the "parallel economy" of informal street or home-based vending, often resented by the authorities, and informal production groups is often narrow and the result of institutional interventions. Very often, workers who previously produced and sold individually decide to pool their resources and start a collective unit so as to overcome the barriers and sanctions placed by the law on individual informal producers. In most of the cases, such decision is triggered by opportunities publicized by community development organizations. The testimony of Dona Neide[11], coordinator of "*Grão da Saúde*" ("*Grain of Health*") a bakery collective based in a shantytown in Rio de Janeiro, is an illustrative example of such process, as well as of how workers capitalize upon pre-existing, neighborhood-based solidarities to transition from individual vending to collective production:

> "*I've been living here for more than 30 years. I've met many people who didn't know what to do with their lives. They couldn't find jobs or they didn't have enough money to support themselves, so they became depressed and started getting into alcohol and drugs and started a vicious circle. Others are more strong-willed and resisted that. Still, in order to support themselves, they had to sell things on the street and either spend a lot of money and wait to get a license to do that or risk having to run from the police all the time. Some neighbors of mine started cooking bread, cakes and lunch meals in their homes and selling to other neighbors. They managed to make some money out of that, but still they had to buy all the products themselves, sometimes they didn't sell everything they produced, there was a lot of waste and they didn't have the proper machines to store products and decrease that waste. (…) One day, around '96 or '97, I went to a meeting at the neighborhood association and there was an add about a course, organized by Asplande, about Solidarity Economy and how to create worker-owned production units. That made me think it would be a good idea to pool the talent of all those women, and at the same time create something that could help others to get out of self-destructive situations. Together, we are able to produce more while spending and wasting less. (…) We are still informal, but still we are also able to sell beyond our neighborhood, namely in events organized by the movement."*

[11] Interview carried out in Rio de Janeiro on 09/10/08.

Another sub-sector within the urban Solidarity Economy is that of the recuperated factories, which represents a form of collective action by the industrial working class to resist the loss of employment in the imminence of bankruptcy by taking control of the means of production in the workplace. This form of collective action happens predominantly within urban or suburban industrial areas. The majority of its participants are men working in heavy industry and who have experience in labor union activism. They capitalize upon the solidarities built within the factory plant, as well as in labor unions. Instead of responding to the publicity of programs organized by civil society organizations, workers in these factories tend to search for technical assistance within the labor unions they are associated to, or take the initiative to search among other organizations within the labor movement.

An example of this type of production unit is "*UniMetal – Cooperativa de Trabalhadores Metalúrgicos Unidos*" ("UniMetal – Cooperative of Steel Workers in Solidarity"), founded in the early '00s in the periphery of Porto Alegre, Rio Grande do Sul. This formal workers' cooperative is a factory of heavy machinery that received the support of ANTEAG and CUT during the process of takeover in the mid-1990's, a period which lasted until its formalization in the early '00's. Nowadays, this factory is affiliated to UNISOL. Miguel, one of its former coordinators, is a leading member of UNISOL, as well as part of the Solidarity Economy section of PT. According to this respondent[12]

> "*We are nowadays much less than we used to be before the bankruptcy process. A lot of our fellow workers left. Still, most of us were affiliated to CUT and had experience of struggle to better our working conditions.*

[12] Interview carried out in the metropolitan region of Porto Alegre, 04/05/09.

The friendship and camaraderie we built over the years, together with our commitment to the union, allowed us to resist and complete the process of takeover successfully."

Cristina[13], a former worker in a steel factory, labor union activist and currently member of the staff of a representative at the Legislative Assembly in Rio Grande do Sul, claims that the solidarities that support the constitution of these cooperatives are of a hierarchical and regimental nature. These characteristics are the result of the hierarchical nature of the organization of large production units, as well as "traditional" labor unions. The respondent claims that most of the workers that remain in the factories during the process of takeover tend either to have leadership positions within the factory plant or the labor union, or be well connected with them. Those who do not have such social capital are among the first to be let go when recuperated factories have to "tighten their belt" so as to remain economically sustainable during the period of transition between the takeover and the legal recognition as a workers' cooperative.

The third sub-sector within the urban Solidarity Economy is composed by technically qualified but downwardly mobile industrial workers that were not previously unionized and as such did not have the chance to participate in enterprise takeovers. Many of these workers use the technical and management skills they developed within large, complex organizations, as well as ties with former colleagues, to create new production units. These new ventures tend to be small or medium production units that follow a non-hierarchical and participatory form of management. They tend to take the form of formal or informal workers'

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[13] Interview carried out in Porto Alegre on 06/08/09.

association, as well as of workers' cooperatives. Most workers within this sub-division of urban Solidarity Economy tend to be workers who did not benefit from the same type of social capital that promotes processes of enterprise takeovers. One illustrative example of the production units within this sub-division is that of "*Oficina do Estilo*"[14] ("The Workshop of Style") an informal association of seamstresses, based in a shantytown in Rio de Janeiro, created by a group of former workers in a textile factory after it closed town. For nearly a year, each of those workers resorted to dressmaking, in their own homes, so as to generate the income necessary to the sustenance of their families. "*Oficina do Estilo*" was created in a similar process to that of "*Grão da Saúde*". The coordinator of this production unit found out about the course on Solidarity Economy and the establishment of worker-owned production units, organized by Asplande, during a meeting of her neighborhood association in the late '90's. That course motivated her to invite some of her former colleagues, some of them residing in the shantytown and others in nearby areas of the city, to form a collective production unit, so as to create economies of scale and have access to more opportunities of income generation. In the following years, the former factory workers were joined by women of the local "pooretariat" as the production unit prospered and expanded. Like "*Grão da Saúde*", "*Oficina do Estilo*" has been counting with the technical assistance of Asplande since its creation.

Profile of participants in FCP and FGEPS

[14] The visit to "*Oficina do Estilo*" took place on 07/18/07.

Table IV and V, based on fieldwork data, indicate that production units that regularly participate in the Forum of Workers' Cooperatives of Rio de Janeiro (FCP) and the "Gaucho" Forum of Solidarity Economy (FGEPS) tend to have a different profile than that of the universe surveyed by SENAES. The overall profile of representatives in FCP and FGEPS is also distinct from each other, reflecting differences in terms of the social and ethnic composition of the Solidarity Economy sector in each state, as well as in the significance of distinct sources of institutional intervention. Such differences reflect themselves not only in the economic performance of production units, but also in their capacity to achieve self-determination vis-à-vis their institutional partners.

Table IV shows that the vast majority of production units in both states were "constructed", meaning that their creation is the result of interventions by organizations affiliated to the Solidarity Economy movement. The exceptions in Rio de Janeiro are two informal groups of artisans that pre-existed their access to organizational support by affiliated NGOs, as well as a formal health service cooperative whose representative joined FCP so as to help setting up "*Casa da Confiança*". In Rio Grande do Sul, the exceptions are a recuperated factory, an MST settlement, a commercialization cooperative composed by family-based subsistence farms and "*Terra Abundante*", whose participating farms pre-existed its creation. This indicates that the majority of workers who participate in the Solidarity Economy forums are those that, due to being in a situation of unemployment or informality, become part of initiatives aimed at creating worker-owned production units carried out by organizations affiliated to the Solidarity Economy movement, in

an attempt to increase their earning capacity. According to the national-level coordinator of UNISOL[15]

> "*The forums are mainly for those production units which are small, fragile, depend a lot on NGOs for access to know how or funds for their activities. It has very little to offer to larger units, such as recuperated factories and large agricultural cooperatives. For them, it is far more interesting to dialogue directly with the government and institutions such as BNDES[16]. They don't get much out of their participation in the forums.*"

In FCP, there is a predominance of units of production that are not able to provide a regular monthly income to their associates (12 out of 17). The majority of these units were created not only with the purpose of providing an alternative to unemployment or complementing other sources of income, but also to promote community development, namely through the promotion of the skills set of the population and the provision of first necessity goods to the population. Such concern is to a large extent a reflection of the role of activist NGOs in the promotion of grassroots income generation, in partnership with community development organizations such as neighborhood associations and churches. Table IV also indicates that FCP is composed in its entirety by representatives of the urban Solidarity Economy, namely by informal groups of production created by members of the urban shantytown "pooretariat". Informal groups represent 13 out of the 17 production units whose representatives were interviewed during fieldwork. The second most significant category among the representatives in FCP is that of formal

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[15] Interview carried out in Brasilia on 11/28/08, during the 8th National-level meeting of the National Coordination of FBES.
[16] "*Banco Nacional de Desenvolvimento Econômico e Social*" ("National Bank of Economic and Social Development" – BNDES).

workers' cooperatives, which includes a total of three units, immediately followed by workers' associations, which counted only with one unit.

Table IV also indicates that, at the contrary of FCP, the vast majority of production units in FGEPS are able to provide a regular income to their associates (14 out of 17). Only four production units claimed to having been created with the specific purpose of promoting community development. That is a reflection of the lesser role, compared to FCP, of activist NGOs and community development organizations, and the comparatively more significant role of the state and the labor movement, which tend to frame institutional interventions in a more instrumental way. Like In FCP, the predominant category of production units among the representatives in FGEPS is that of informal groups, which includes 9 participants. However, the urban shantytown "pooretariat" is less represented, being present only in 4 production units, while the downwardly mobile working class is present in 9 units. Besides, cooperatives are comparatively better represented in FGEPS in comparison to FCP, with a total of 6 production units, as fact that reflects the presence of a recuperated factory, an agrarian reform settlement and groups of urban artisans and seamstresses that were constituted as formal cooperatives with the support of public programs.

Table V indicates that the composition of FCP is also more "feminized" and less "White" than that of FGEPS. Fieldwork data shows that 8 out of the 17 production units thereby represented are composed only by women, while the amount for FGEPS is only 4. It also shows that the amount of women representatives is also higher in FCP than in FGEPS. While the former counts with 14 female

representatives, the later counts only with 11. The data also shows that there is a higher presence of "Non-white" representatives[17] in FCP than in FGEPS. In FCP, 11 out of 17 participants fit that category, while FGEPS only counts with two participants that are not "White".

The differences in the organizational and demographic composition of FCP and FGEPS have to do with the economic and ethnic specificities of each state, as well as with the nature of the organizations that take part in the Solidarity Economy movement in each state. The predominance of the multiethnic shantytown "proletariat" is to a large extent the result of the mobilization of this population by the activist NGOs that founded FCP, which work predominantly in urban and suburban settings. As referred in the previous chapter, Rio de Janeiro was originally a plantation state during the colonial period, counting therefore with a large population of slaves of African descent, which in their large majority settled in shantytowns after the abolition of slavery. In FGEPS, the significance of the rural sector, as well as of "White" representatives, results from the predominance of Cáritas, public and university-based "incubators" and organizations of the labor movement in Rio Grande do Sul. These organizations work predominantly with the peasantry and the urban working class, which in this state has historically been constituted, in its majority, by descendents of European settlers. Rio Grande do Sul, remained a sparsely populated cattle ranching region well beyond the independence. Urban growth and the population of the inner regions of the state by non-native ethnic groups only started in the late 19th century with the promotion, by

[17] This category includes individuals of Black and Mixed-race descent.

the state as well as the central government, of large-scale immigration of Europeans, namely Italians, Germans and Portuguese from the Azores and Madeira Islands. The Italians and Germans settled mainly in the inland, adding to the cattle ranching economy the small-scale, intensive and subsistence-based agriculture of the "colonies", the Portuguese settled predominantly in the cities and coastal towns, working in fisheries as well as in factories.

Economic outcomes of production units

Table VI, based on 2007 "mapping" data made available by SNIES in 2007, provides factual information on the capacity of Solidarity Economy production units to produce regular monthly revenue and income for their associates. It shows that the vast majority of the Solidarity Economy production units surveyed by SENAES has a very limited capacity for the production of regular revenue, as well as income for their associates.

The percentage of production units that claimed not to be able to produce regular monthly revenue was 29.88% at the national level, as well as 25.24% and 36.98% in Rio de Janeiro and Rio Grande do Sul respectively. That of units that produce every month up to R$1 000 was 16.59% at the national level, 31.57% in Rio de Janeiro and 14.48% in Rio Grande do Sul. An estimated 24.75% of the national total indicated that they were able to produce every month between R$1 001 and R$5 000 in revenue. The value for the same category was 26.51% in Rio de Janeiro and 20.96% in Rio Grande do Sul. A remaining 27.49% of the national total declared

to be able to produce a regular monthly revenue above R$5 000. The figures for Rio de Janeiro and Rio Grande do Sul were respectively 16.46% and 26.67%.

The data on the average monthly income provided to associates is limited by the fact that it only counted with information by 59.31% of production units at the national level, as well as 59.52% in Rio Grande do Sul and 82.06% in Rio de Janeiro. Of this pool of respondents, 16.14% at the national level, 10.80% in Rio de Janeiro and 17.24% in Rio Grande do Sul declared not being able to provide a regular monthly income to their associates. The percentage of production units that declared being able to provide income to their associates every month, but only up to half of the national minimum wage, which in 2007 was R$380[18] was 31.75% at the national level, 48.28% in Rio de Janeiro and 23.34% in Rio Grande do Sul. A further 20.49% at the national level, 24.68% in Rio de Janeiro and 27.64% in Rio Grande do Sul claimed to be able to provide, on a regular monthly basis, between half and one minimum wage to their associates. Only a total of 31.61% at the national level, 16.25% in Rio de Janeiro and 31.75% in Rio Grande do Sul claimed to be able to provide regular monthly revenue to their associates above one national minimum salary.

Organizational support and the promotion of workers' empowerment

The significance of different forms of organizational support

[18] http://www.portalbrasil.net/salariominimo_2007.htm

According to Table VII, the vast majority of Solidarity Economy production units surveyed by SENAES received organizational support. The national-level percentage was 72.67%, while the figures for Rio de Janeiro and Rio Grande do Sul were 63.51% and 78.42% respectively. The fact that Rio Grande do Sul has a figure that is higher than the national percentage and about 15% higher than that of Rio de Janeiro is to a large extent the result of it being the first state in the country to introduce public policies for the sector.

Table VII shows that the most significant forms of organizational support are those aimed at equipping the organizational structure of production units. The technical and managerial training of associates is the predominant form of support. This category includes skills development initiatives aimed at improving the capacity of workers to add value to the goods of services they produce, as well as to carry out the everyday management of their production units through financial planning and accounting. At the national level, 60.12% of production units who have received organizational support declared to have been beneficiaries of this kind of intervention. The figures for Rio de Janeiro and Rio Grande do Sul are 59.67% and 28.38% respectively. The category named "technical assistance" refers to support given by institutional partners to strategic planning operations and market research. The national level percentage of production units that declared to have been beneficiaries of this form of organizational support is 33.94%, while the figures for Rio de Janeiro and Rio Grande do Sul are 13.13% and 15.68% respectively. The third most significant category is that of methodologies of socio-political popular education that use Freirean methods to contextualize the

development of management skills in the framework of an analysis of capitalist political economy, as well as Solidarity Economy as an alternative. An identified 33.94% of production units at the national level, as well as 13.13% in Rio de Janeiro and 15.68% in Rio Grande do Sul, declared to have received this kind of organizational support. The fourth most significant category is legal and administrative support in the process of formalization, which benefitted 17.78% of production units at the national level, 3.28% in Rio de Janeiro and 9.85% in Rio Grande do Sul.

Table VII also offers information on the significance of different institutional sources of organizational support. It shows that, at the national level, the major source of support comes from government programs, which provided assistance to a national-level percentage of 56.12% of production units that received organizational support, as well as 45.72% in Rio de Janeiro and 58.10% in Rio Grande do Sul. This category includes not only municipal and state-level programs, but also national-level programs such as those funded by FAT – *Fundo de Amparo ao Trabalhador* (Workers' Support Fund)[19]. The second major source of organizational support is the third sector, including activist NGOs, SMOs and community-based organizations such as churches and neighborhood associations. 31.08% of production units at the national level, 35.17% in Rio de Janeiro and 38.22% in Rio Grande do Sul claimed to have received institutional support from this category of organizations. The third most significant source of organizational support for Solidarity Economy production units is what is known in Brazil as *Sistema "S"* (the

[19] Chapter II contains further information about this national-level policy program.

"S" system), a group of publicly funded foundations (SEBRAE, SENAC and SESCOOP), created with the purpose of supporting the development of small, medium and cooperative enterprises.[20] SEBRAE and SENAC exist to promote skills development initiatives and technical assistance for small and medium enterprises. SESCOOP is a department of OCB – *Organização das Cooperativas Brasileiras* (Organization of Brazilian Cooperatives)[21], aimed at providing cooperatives with the same kind of support that SEBRAE and SENAC offer to small and medium enterprises. Table IV indicates that, by 2007, 28.11% of production units at the national level, 28.25% in Rio de Janeiro and 14.68% in Rio Grande do Sul have been beneficiaries of organizational support from these sources. The organizations of the labor movement are the fourth major source of organizational support, having benefitted 15.95% of production units at the national level, 3.28% in Rio de Janeiro and 15.66% in Rio Grande do Sul. University-based "incubators" follow suit, having

[20] Previous to the structural adjustment period, the main sources of public support to the development of entrepreneurial capabilities and employable skills were SEBRAE – *Serviço Brasileiro de Apoio à Micro e Pequenas Empresas* (Brazilian Service of Support to Micro and Small Enterprises - http://www.sebrae.com.br/) and SENAC – *Serviço Nacional de Aprendizagem Commercial* (National Service of Commercial Education - http://www.senac.br/). SEBRAE was created in 1972 with the purpose of supporting the creation and development of micro and small enterprises through the provision of technical and legal assistance, training courses for entrepreneurs and support to accessing credit from public and private sources, as well as the organization of business meetings and commercialization fairs. SENAC was created in 1946 with the purpose of developing technical education programs for technicians and managers in the area of commerce, tourism, and provision of services in the areas of health, environmental conservation and communication and arts management. During the structural adjustment period, the rise in unemployment and economic informality led to the complementation of the support provided by SEBRAE and SENAC by new policy programs aimed specifically at promoting income generation among the popular classes through the creation of micro, small and cooperative enterprises. Those programs are PRORENDA, PROGER – *Programa de Geração de Emprego e Renda* (National program of Employment and Income Generation - http://proger.mte.gov.br/portalproger/pages/home.xhtml) and PRONAF – *Programa Nacional de Fortalecimento da Agricultura Familiar* (National Program of Strengthening of Family-based Agriculture - http://portal.mda.gov.br/portal/saf/programas/pronaf).

[21] http://www.ocb.org.br/site/brasil_cooperativo/index.asp

reached 7.56% of national-level total of production units that received organizational support, 10.67% in Rio de Janeiro and 12.39% in Rio Grande do Sul.

Limits of SENAES' data on organizational support

The data collected by SENAES on organizational support is limited by three factors. In first place, it cannot be disaggregated so as to correlate economic performance with forms of organizational support or its sources. Still, it gives the clear indication of the percentage of production units that have received support from organizations outside the movement or public policies for the sector, namely the technical and managerial training courses offered by the "S" system. However, it doesn't indicate the significance, within the category "government programs", of Solidarity Economy policies in relation to other public initiatives of support to worker-owned units of production, such as those funded by FAT. However, it doesn't integrate the data on the different forms of organizational support in the framework of the methodologies of support to Solidarity Economy production units developed by the movement and then incorporated by the state, namely "incubation", "The People's MBA" and ongoing technical assistance. As seen in Chapter II, each of these three methodologies combine elements of socio-political popular education, technical and managerial training and technical assistance. In some cases, such as those of the courses offered by IBase, they also provide legal and administrative assistance to the formalization of cooperatives.

In second place, the data provided by SNIES is also limited by the fact that it does not take into account how participation in the Solidarity Economy forums

affects access to organizational support. SNIES only indicates that the production units that declared to participate in the Solidarity Economy forums are a small minority when situated within the larger universe surveyed by SENAES. According to Table I, the national-level percentage was identified as being 13.70%. Rio de Janeiro and Rio Grande do Sul, had a rate of Solidarity Economy forum participation among identified production units of 21.97% and 21.63% respectively. The fact that these two states have a rate of forum participation that is about 8% higher than the national figure can be explained to a large extent by the fact that, as seen in the previous chapters, they host the longest-standing Solidarity Economy forums in the country. Participation in the forums has never been a pre-condition for access either to policy programs supported by FAT or "*Sistema 'S'*" or the "Alternative Community Projects" (PACs) and the technical assistance provided by UNISOL. However, it became a requirement for accessing the Solidarity Economy fairs, as well as the publicly funded organizational support promoted by PT administrations in Rio Grande do Sul.

In third place, SNIES does not make a distinction between interventions aimed at "constructing" production units and those that are provided to units that are "organic", meaning that they were already part of the "life-spheres" of communities. Such distinction matters because "constructed" and "organic" production units" will tend to react differently to institutional interventions. Production units that are "organic" already have accumulated tacit knowledge helps them to internalize the knowledge received from organizational support better than those that are created from scratch. Besides, the fact that they already had time to

build cohesion among its associates will increase the probability that they will resist the difficulties in generating revenue and income that characterize most Solidarity Economy production units. The web of personal relationships among workers in "organic" units increases the likelihood that they will find strategies to survive the difficulties instead of dismantling. "Constructed" units tend to require a more ongoing form of organizational support, such as affiliation to a grassroots network of collaboration.

The testimony of Gustavo[22] provides an illustrative example of the risks associated with "constructing" production units without giving them ongoing technical assistance during the time necessary for them to accumulate tacit knowledge, generate cohesion among its associates and develop coping strategies. This interviewee is the member of a formal construction workers' cooperative created in the framework of a course on cooperative production. This course was organized by IBASE as part of a campaign to promote the employment of local labor force in the construction of sites for the 2007 Pan-American Olympic Games. According to Gustavo, the cooperative lacked proper support in terms of strategic organization, including the development of a client base.

> *"(...) {W]e have to go around and ask at construction sites if they can hire us. They don't because the law is set up in a way that it becomes more expensive for companies[23] to hire members of cooperatives than other workers. As such, all of us have to find other sources of income in order to survive. (...) The only people who are still actively looking for work for the cooperative are myself and another colleague."*

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[22] Interview carried out in Rio de Janeiro on 09/17/08.

[23] According to "Portal do Cooperativismo Popular" ("Portal of Workers' Cooperatives - http://www.cooperativismopopular.ufrj.br/perguntas.php#1), provisional Measure MP 340/2006 (http://www.planalto.gov.br/CCIVIL_03/_Ato2004-2006/2006/Mpv/340.htm) establishes that enterprises that hire the services of a cooperative must pay 1.5% in taxes over the total value of the receipt.

According to Gustavo, IBASE only provided a course on Solidarity Economy based on socio-political popular education methodologies, followed by support only in the legal and bureaucratic aspects of the constitution of the cooperative. The respondent claims that it was not enough to operationalize the production unit:

> *"(…) If only they had organized the training by stages… They created the enterprise and then they dropped it. (…) We had a lot of expenses with the formalization process, and now we are left with a huge fiscal burden, and that's it. That's why most enterprises do not survive, because they do not have the support they need during the time they need to develop. They do not have a real direct 'incubation'. (…) Instead of giving the course to create the enterprise, they should create the enterprise at the same time that they give the course. Then, during three or four months of training, you would learn in different stages how to create and manage an enterprise, as well as how to deal with the challenged you face and find solutions for them. "*

Interviews with the coordinator of the Cooperative Network of Women Entrepreneurs of Rio de Janeiro (CNWE)[24] and the national-level coordinator of UNISOL indicate that grassroots networks of collaboration, be they identity- or supply chain-based, promote the creation of ties of solidarity among workers that develop a sense of purpose and connection to a larger project. Besides, these networks provide an institutional structure that promotes the continuing access to organizational support, whenever necessary for production units, beyond the initial period of "construction". Still, the two organizations follow different methodologies. As seen in Chapter II, while CNWE and the Network of Women's Solidarity of the Western region of Rio de Janeiro (NWS) promote the "construction" of production units out of the networks it builds between participants, UNISOL only affiliates production units that are already "established". One of the cases is that of UNIVENS,

[24] The interview took place in Rio de Janeiro on 07/22/08.

one of the cooperatives that participate in "*Justa Trama*"[25]. According to Joana, its coordinator[26], UNIVENS joined UNISOL after having received support from a public "incubator" for several years. This indicates that the methodologies followed by the two organizations are complementary. While CNWE and NWS focus on the construction of individual and collectively empowered subjectivities among workers, UNISOL focuses on the organizational strengthening of production units created by previously established groups.

The methodology followed by CNWE and NWS in terms of the promotion of solidarities among workers, despite its benefits in terms of the promotion of solidarities among workers, is limited in terms of the development of technical and management skills. Cláudia[27] is the member of an artisans and recyclers' cooperative located in the western suburban area of Rio de Janeiro, created in the framework of a course on cooperative production given by PACS to members of her neighborhood association. She is also a regular participant in the meetings and courses organized by CNWE and NWS. Cláudia claims that the kind of skills development methodology used in these networks is too focused on socio-political education. The management part of the courses doesn't go beyond basic financial concepts such as price definition and the elaboration of balance sheets, as well as instructions on team building. As a result, they become in her point of view too normative, neglecting more technical aspects of the functioning of production units. Like Gustavo, Cláudia is of the opinion that the best kind of skills development

[25] Chapter IV contains more information about this network.
[26] The interview took place in Porto Alegre on 03/20/09.
[27] Interview carried out in Rio de Janeiro on 01/06/09.

support is a methodology akin to that of "incubation" or sustained access to technical assistance:

> "*We need a sustained participation of universities, not only sending in students as interns or collaborators once in a while. (…) I would like that Solidarity Economy enterprises would have regular access to professionals in the area of accounting, law, management, technical assistance to support our growth*."

Managing the risk of technical cooptation: The role of the forums and UNISOL

The vulnerability of Solidarity Economy production units, especially those that are "constructed" by organizations affiliated to the Solidarity Economy movement, makes them dependent upon their organizational support to obtain the know-how necessary for their everyday activities. That happens despite the fact that many of them participate in training courses organized by "*Sistema 'S'*", with the purpose of obtaining technical and management knowledge. Does this scenario mean that Solidarity Economy production units are invariably subjected to the agendas of civil society organizations and the state? Fieldwork data indicates that there are two scenarios in which production units are able to exert control over the sources of institutional support. One of them is the presence of governments that are open to dialogue with the Solidarity Economy forums and integrate their inputs in the elaboration of public policies for the sector. Another is that of organizations of the labor movement in which workers control the hiring of technicians for training and technical assistance.

As seen in the previous chapter, Workers' Party (PT)-led administrations in Rio Grande do Sul hired technicians from NGOs, labor unions and SEBRAE to provide technical assistance to Solidarity Economy production units. Such strategy

de-privatized their methodologies of organizational support, therefore allowing workers to gain direct access to it without having to establish a relationship with them as beneficiaries. Those administrations maintained a regular dialogue with the Solidarity Economy forums over workers' need in terms of know-how and incorporated their inputs in the content of skills development programs. Fernanda[28], member of a seamstresses and artisans' cooperative based in Porto Alegre, claims that, as a result of such dialogue, the skills development programs organized by the municipality acknowledge the tacit knowledge of workers and the specific challenges of Solidarity Economy production units:

> "*SEBRAE has a wrong approach to group formation, it says that they must all be formal right from the beginning, that they all must assume the form of cooperatives and specialize in the production of just one product. Our reality is not like that. We have a variety of individual and collective products. We see which ones sell better. We also want to make products rooted in our traditions and with a high degree of quality. (…) Their focus is on formal groups because they contribute with taxes*."

One may consider that their openness to inputs from workers in the forums is the result of their vested interested in guaranteeing their political support, so as to facilitate their reelection. An illustrative episode is that narrated by Teodora[29], coordinator of an artisans' cooperative based in Porto Alegre, who argues that the contents of the courses promoted by the PT-led municipal administrations in Porto Alegre were too influenced by the party's political project. The respondent claims that several other workers in the municipal forum of Porto Alegre shared that impression. According to Teodora, the members of the forum managed to influence the contents of the courses in a way that promoted a critical understanding of

[28] Interview carried out in Porto Alegre on 03/17/09.
[29] Interview carried out in Porto Alegre on 04/30/09.

neoliberal political economy but ensured neutrality in what regards party-based political projects:

> *"Some of the seminars promoted by the municipal administration were given very much in the line of PT, in a party-based approach. (…) Something that we fought for a lot was to show that Solidarity Economy is not bound to PT. (…) In Porto Alegre, there is the idea that Solidarity Economy equals PT. We showed that we had our own ideals and a path that is not dependent on that of PT. We work with any party, as long as it respects the principles of Solidarity Economy. (…) We speak about general politics, which is above political parties."*

At UNISOL, workers do not need to be at the mercy of the interests of political elites in order to be able to influence the content of initiatives of organizational support. The institutional structure of this organization allows them to take the matters in their own hands. Being an organization of the labor movement, UNISOL has the advantage of keeping strategic decisions in the hands of workers. That institutional feature makes it easier for workers to control cooptation attempts by technicians hired by the organization, like in the following situation described by Joana from UNIVENS:

> "*UNISOL hired a designer for the products of "Justa Trama". (…) She wanted us to make products only according to her criteria, which she thought would make products "win" in the market. However, we want to create products that are viable, but that also reflect our values, our traditions, our cultural roots, our lifestyle and what we want for society as workers.*"

The technicians that UNISOL hires to provide technical assistance to Solidarity Economy production units must respond to an elected body of workers' representatives that make decisions regarding the management of the organizations and the allocation of its services. As such, Joana presented the situation to UNISOL's coordination and had the designer substituted by another professional that took

into better account the tacit knowledge of the workers participating in "*Justa Trama*".

Environmental challenges and the effect of corrective interventions

Tables VIII to XI, based on information provided by SNIES, contain data on sources of production material, commercialization, credit and the main environmental challenges faced by Solidarity Economy production units in their activity. This data is limited by the fact that it cannot be disaggregated so as to correlate environmental challenges, forms of institutional intervention aimed at their containment and economic outcomes in the different sectors and sub-sectors of Solidarity Economy. However, by contextualizing it with the resource to fieldwork data, one can obtain insights that help to understand the correlation between these different factors.

Access to production materials: The benefits of economic collaboration

The data collected by SENAES indicates that, in terms of access to production materials, Solidarity Economy production units are heavily dependent on the capitalist market. Such dependence takes the form of either the purchase of materials from private enterprises or the "metabolization" of their waste material or excess production. According to Table VIII, private enterprises are the main sources of production materials for 50.69% of production units at the national level, 63.14%

in Rio de Janeiro and 47.58% in Rio Grande do Sul. Such tendency is particularly marked within the two sub-sectors of urban Solidarity Economy.

When interviewed, the representative of "*UniMetal*" claimed that one of the biggest challenges that the cooperative faces in terms of its economic sustainability is the fact that it depends on capitalist enterprises for the acquisition of raw or semi-transformed metal, as well as the machinery necessary to produce its products. The respondent claimed that the economic and legal difficulties that "*UniMetal*" went through during the pre-bankruptcy, takeover and formalization processes harmed its ability to gain the credit necessary to afford the up-to-date technology necessary to increase productivity, as well as its capacity to penetrate the market. The respondent also claims that the factory is still recovering from that period of hardship. At the time of fieldwork, the priority was to keep the factory working by planning carefully the purchase of the often very expensive production materials, as well as the odd substitution of broken or obsolete machinery.

The production units composed by element of the shantytown "pooretariat", as well as the downwardly mobile working class, tend to obtain their production materials and capital goods from a combination of purchase from capitalist enterprises, donation of their excess products, collection of waste and grants from civil society organizations. According to Table VIII, donations and the collection of recyclable waste are the major source of production materials for 8.41% and 4.56% of production units at the national level respectively. In Rio de Janeiro, those values are 12.36% and 6.55%, while Rio Grande do Sul has figures below the national average, with 6.28% and 3.21%.

Dona Neide from "*Grão da Saúde*", as well as the coordinator of "*Oficina do Estilo*", claimed that they got their production machinery as a grant from a large Brazilian NGO with the support from Asplande, who supported them in producing the application documents. The two production units face different circumstances in terms of acquisition of production materials. "*Grão da Saúde*" purchases its materials mainly from supermarkets. According to Dona Neide, the resulting expenses make in necessary for the associates of "*Grão da Saúde*" to plan carefully the purchases, taking into account regular demand from the neighborhood, as well as orders for events organized by the Solidarity Economy movement, to which they are regularly invited to provide catering. "*Oficina do Estilo*", on the other hand, started out by getting most of its materials through donations.

> "*We contact shops and they give us remains of fabric, as well as thread that they don't use anymore. We use that to produce some clothing items, as well as accessories and decorative objects, such as pillows, rugs, dolls, and others. We also have people who come in and ask us to do clothing alterations. In some case, we have to buy the threads in shops. (...) As we grew and got other kinds of orders, we started buying more in shops, or even in gross retailers. (...) When we got the contract to produce the thematic T-shirts for the excursionists, we bought the fabric from a gross retailer, sew the T-shirts in our premises and then sent it to a printing shop to have them decorated.*"

The collection of recyclable waste is the main source of production material for many groups of artisans. Such practice is often attributed with substantive goals associated with environmental preservation and public health. Cláudia, besides being the coordinator of her cooperative, is also a member of her neighborhood association and its representative at the state-level Federation of Neighborhood Associations. When interviewed, this respondent indicated that, for her production unit, the collection and recycling of waste is more than a strategy of income

generation with low marginal costs, having also the purpose of improving the quality of life of her neighborhood:

> *"(…) [in the mid-1990's] we started to notice a high degree of unemployment and informality. We, as Federation [of neighborhood associations], together with "companheiros" from neighborhood associations, started to organize informal workers. (…) There were a lot of problems with waste, with "dengue". We started organizing people to clean the waste and we saw that we could give an economic use to it. We started working in shantytowns to educate people not to throw waste on the street. We started to work with recycling. (…) We go to people's houses, collect their recyclable waste and use it to produce handicraft that, in its turn, contributes to the sustenance of several families."*

Besides being a source of production material, recyclable waste can also be in itself a source of income. That is the case for cooperatives of waste collectors who do not transform the product, but instead sell it to intermediaries. As an example, one may consider two cooperatives of recyclers in the metropolitan area of Santa Maria, which were built with the support of *Cáritas* and are associated to "*Esperança/Cooesperança*".[30] The coordinators of these production units indicated that the purpose of their creation was to create a regular source of income for people who were unemployed, often homeless, and produced income by individually collecting recyclable waste and selling it to intermediaries. Both of them argued that gathering waste collectors in a collective production unit is a form of decreasing exploitation, by creating institutional conditions for the negotiation of fairer prices for their products, as well as maximizing the capacity to generate income by promoting economies of scale.

[30] I visited the two cooperatives on 06/05/09 and interviewed their respective coordinators.

Table VIII also indicates that there is a significant share of production units that do not require the external purchase or collection of raw or semi-transformed materials, or in which such elements represent only a small share of the added value of the final product. According to its data, 18.07% of production units at the national level, 7.28% in Rio de Janeiro and 16.215 in Rio Grande do Sul indicated that their own means of production are their major source of production materials. Such situation is particularly common among agricultural units, especially those that resort to organic production. According to an agronomist hired by *Cáritas*[31] to work with "*Esperança/Cooesperança*", the project has been promoting organic techniques among participating farmers not only to promote environmental preservation and consumer health, but also as a way of decreasing expenses and the dependence on the capitalist market. The interviewee claims that losses in productivity caused by the abandonment of chemicals can be easily compensated by decreases in marginal expenses and better market penetration, promoted by the increased quality of products. Land reform settlements experience a similar situation. *"Assentamento Sepé Tiarajú"*, by resorting to organic production, decreased its costs to the point that its major expenses are with investment in capital goods, the purchase of packaging and transport of the fruits, vegetables and preserves produced by its members.

The information collected by SENAES on sources of production materials shows that the integration of economic activities between Solidarity Economy production units is still minimal. Table VIII indicates that only 6.62% of production

[31] Interview carried out in Santa Maria, Rio Grande do Sul, on 06/04/09.

units at the national level, as well as 4.31% in Rio de Janeiro and 9.63% in Rio Grande do Sul, have as their main sources of production materials other Solidarity Economy production units. The experience of "*Justa Trama*"[32] shows that the formation of supply chained-based networks of economic production promotes not only significant savings in the access to raw and semi-transformed materials, but also substantial gains in terms of revenue creation to each production unit involved. Such gains are a result of the elimination of middlemen and private enterprises in the access to production units. The fact that all the units are part of the same economic project and will share its gains and losses not only motivates them to sell to their partners at an advantageous price, but also promotes productive specialization, therefore increasing productivity through the reduction of costs and the promotion of economies of scale. According to "*Justa Trama*"'s website, the direct sale of products from one cooperative to another promotes an adding of value in every link that leads to overall gains 50% to 100% above those they would get in the market with resource to a middleman.[33] Besides, it also improves the capacity of each participating cooperatives to make forward sales to the next one in the supply chain, therefore reducing the resource to credit. The result is an increased capacity of production units not only to produce revenue, but also a regular income for its associates. The following testimony of a representative of COOPERTEXTIL[34] is indicative of the advantages of this kind of arrangement:

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[32] http://www.justatrama.com.br/home/index.php . The previous chapter contains mo

[33] The previous chapter contains detailed information about the process by which the production units involved in "*Justa Trama*" specialized themselves in specific phases of production and sell their products to one another.

[34] Interview carried out in Fortaleza, Ceará, 11/18/08.

> “*We were needing resources for buying the cotton from the farmers. UNIVENS has paid for all the cotton production in July, because we needed that money to pay the farmers, so that we wouldn't need to borrow money with interest rates. They bought the cotton for the whole year. (…) The big advantage is that none of us had to pay interest rate to the other.*”

Commercialization: The contribution of thematic fairs and shops

The information contained on Table IX, when contextualized with the resource to fieldwork data, indicates that commercialization by Solidarity Economy production units does not take place homogenously according to a market system, characterized by impersonal rules of supply and demand. Instead, there are sub-sectors in which commercialization happens through forms that can be characterized as “clustered patronage”. In these forms of commercialization, demand is promoted by personal relationships among neighbors, or by specific events or sites, organized by the movement, that attract specific consumer clusters that, besides looking for the highest quality at the best price, aim to promote substantive goals such as environmental balance and the support to worker empowerment.

Table IX shows that the largest share of Solidarity Economy products is sold directly to clients at the local community level, without resourcing to public spaces such as shops, fairs or centrals of commercialization. The percentage of production units who prioritize such strategy of commercialization is 34.58% at the national level, 43.56% in Rio de Janeiro and 25.46% in Rio Grande do Sul. The predominance of direct transactions, without the resource to public spaces where products can be publicized to a mass public, indicates that commercialization within the Solidarity

Economy is to a large extent made possible by personal relations. That is the case especially among production units created by the shantytown "pooretariat", as well as the downwardly mobile working class.

According to the representatives of *"Grão da Saúde"* and *"Oficina do Estilo",* most of the demand for their products comes from neighbors they know either from the neighborhood association or their circle of friendships. Although they may find cheaper products and services in shops or supermarkets, they resort to these production units because they know their affiliates and trust their commitment in making products of higher quality. Such commitment is part of a vested interest in maintaining those relationships, from which they receive emotional and material support when necessary. The opportunities that these two production units have of commercializing outside the community level are made possible by the intervention of the activist NGOs from which they receive technical assistance. These NGOs act as intermediaries in their access to individual clients outside the community, as well as Solidarity Economy fairs and other thematic events organized by the movement. The fact that they are informal makes the mediation of NGOs fundamental in the access to larger markets.

A small but growing minority of production units uses the Internet to directly reach consumers beyond the community level. That is the case namely of units integrated in supply chain-based networks of economic cooperation such as "*Justa Trama*". With the support of technicians from UNISOL, "*Justa Trama*" developed a multilingual website that it uses to commercialize its products across the country, as well as abroad. According to Joana, the coordinator of UNIVENS, although the main

commercialization venues in the early days of "*Justa Trama*" were the cooperatives' own premises, Solidarity Economy fairs and thematic events, Internet sales are quickly catching up with them and enlarging the capacity of this network to produce revenue. Besides, UNISOL opened in 2010 a new shop in Porto Alegre, which is used to commercialize products made by "*Justa Trama*", as well as by other production units affiliated to this labor movement organization.

Public fairs constitute the second most significant category of venues of commercialization for Solidarity Economy production units. At the national level, the percentage of units that resort to public fairs as their main venues of commercialization is 19.59%, while in Rio de Janeiro and Rio Grande do Sul is 13.25% and 13.04%. Fieldwork data indicates that the use of these venues is particularly frequent among family-owned subsistence farms. An example is that of Family Tornatore, from the rural periphery of Santa Maria, which claimed that they, as well as the other family that takes part in "*Terra Abundante*", also sell products at the daily fair in the downtown area. The agronomist working with "*Esperança/Coosperança*" indicated that selling products at the daily fair is a common practice among farmers that participated in the project. However, according to this respondent, those farmers have difficulties in competing with larger production units in terms of quantity, price and appearance of the product. The agronomist claims that most consumers still evaluate quality by the size and appearance of the product and put price above health or environmental considerations in their choices. "*Esperança/Coosperança*" takes that into account, to the point that one of its goals is to promote health education among consumers.

With that goal in mind, the coordination team has been organizing campaigns to raise awareness of the benefits of organic consumption within the metropolitan region of Santa Maria. Such campaigns take place in the local media, as well as within Ecclesial Base Communities (CEBs) in the region.

Recuperated factories face a similar situation as family farms when they try to sell their products in shops, which are the main commercialization venues for 16.38% of production units at the national level, 15.19% in Rio de Janeiro and 22.01% in Rio Grande do Sul. According to the representative of "*UniMetal*" interviewed during fieldwork, it is difficult for this cooperative to compete, in terms of productivity as well as added value, with capitalist enterprises that have access to the capital needed to obtain the most up-to-date technologies, produce in large scale and sell at market prices.

Artisan groups face three challenges when selling their handicraft in shops and other private venues of commercialization. One of them is the fact that most of their products have a decorative purpose, therefore being place low in terms of priority being consumers when organizing their budget. Another is the fact that most of these groups cannot afford the technology and know-how necessary to increase the amount of production, as well as the added value of their products beyond that made possible by the application of manual or basic machine work on materials that are often recyclable waste or excess from private enterprises. According to Claudia, from the western periphery of Rio de Janeiro

> "*We work with what we can get. We started off with very little capital. The few machines we have, we got them with a grant from* [name of the NGO withdrawn]*. We are still in the process of formalization, which takes a lot of time and money. Since we are informal, the opportunities*

we have for commercialization are limited. We sell mainly to people we know, at the space of the neighborhood association and at fairs and other events organized by the movement."

A third major challenge that these production units face is the fact that private shops and commercialization events tend to represent workers from Solidarity Economy production units as a "disadvantaged other". These venues also tend to implicitly represent their products as goods that are not valued by the market and, as such, need spaces of "clustered patronage" specifically created by an "advantaged other" to be commercialized. The result is that they often end up marginalizing workers even further in the eyes of consumers. Buying their products is represented as a "moral act", a way of "helping" degraded subjects that affirms the personal worth of the buyer. Therefore, it conceals an unequal relationship based on assistentialism with a thin disguise of commercial exchange. The eloquent testimony of Sueli[35], member of informal association of recyclers/artisans and food producers based in a shantytown in a northern neighborhood of Rio de Janeiro, is a clear illustration of the symbolic violence that is often implicit in this kind of events.

"*The other day, we were exposing at the Corporate Center and those executives, those "elite" people looked at me and at our products with a patronizing look on their faces. They thought those were "products made by the little poor people" and that they had to buy them because they feel sorry for us and because they want to feel that they are practicing solidarity. The woman who organized the exhibition gave us an evaluation form and I wrote that the executives should be educated to appreciate the value of our work, as well as the social and environmental value of our products*."

As seen in the previous chapters, the Solidarity Economy movement, in partnership with the state, has been creating thematic shops and organizing fairs

[35] Interview carried out in Rio de Janeiro on 08/09/08.

with the purpose of creating opportunities of commercialization for associated production units. These venues are managed through participatory mechanisms. The committee of organization of state and national-level Solidarity Economy fairs is generally composed by a team of civil society technicians and workers chosen within the Solidarity Economy forums. The thematic shops are set so as promote their self-management by workers. According to an artisan that sells products at the Solidarity Economy shop of "Mercado Público" ("Public Market") of Porto Alegre: [36]

> "*The municipality made this space available for us, but we are the ones who manage it. (...) Each of us works here some hours every week. They cover the rent cost, but each group that sells here contributes with a fixed amount each month for the up keep of the shop, for cleaning, electricity, decoration, and so on. We also give courses over here. That corner over there is used for the "companheiros" to come over and teach other handicraft techniques, how to do a balance sheets and other stuff*."

Still, the dependence on many production units, especially informal groups, on these venues of commercialization puts them in an unequal position vis-à-vis their institutional partners. That is especially the case in circumstances, such as those of Rio de Janeiro, in which participants do not have access to permanent self-managed spaces of commercialization, and as such depend on civil society organizations to have access to Solidarity Economy fairs. As seen in the previous chapter, many representatives of production units perceive that they have to wield to the vested interests of civil society organizations in order to have access to those events.

The Solidarity Economy fairs and thematic shops have the advantage of framing commercialization as a form of promoting substantive goals such as worker empowerment, environmental sustainability and consumer health. Therefore, they

[36] Transcription of a conversation carried out during a visit on 06/26/09.

avoid many of the symbolic trappings of commercialization events organized by private enterprises as part of their "corporate responsibility". However, these initiatives do not in themselves guarantee the sustainability of production units, especially since they tend to attract mainly a niche market of "ethical" consumers. The capacity of market penetration of production units depends on other factors, such as whether or not they have a formal legal identity, as well as the type of goods and services their produce. Agricultural and food production units, especially informal ones, are particularly vulnerable, even within spaces of commercialization promoted by "clustered patronage". Such vulnerability comes from the fact that many of their products are perishable. As previously referred, Dona Neide claims that careful planning, so as to avoid the waste of products that are not sold at a given event, is fundamental to guarantee the sustainability of "*Grão da Saúde*". Still, the fact that all the associates have other sources of income within their families contributes to maintain their motivation to continue working within this production unit, which is not able to provide them with a regular monthly income.

There are other cases is which access to complementary sources of income is not enough to guarantee the continuity of an informal food production/catering unit for which the main opportunities of commercialization come from personal contacts or venues of commercialization promoted by the movement. One of the cases is that of "*Sabor Gaúcho*", which was based in Porto Alegre. According to Iolanda[37], who was its coordinator and representative at the Solidarity Economy forums in Rio Grande do Sul, neither the technical assistance that this production unit received

[37] Interview carried out in Porto Alegre on 04/24/09

from the state and civil society organizations, nor the commercialization of products in Solidarity Economy fairs and thematic shops was enough to guarantee its survival. The informal status of this production unit was an obstacle to the expansion of its commercialization opportunities. Besides, the fact that it only produced perishable goods meant that it could not keep the products that were not sold on specific dates for future opportunities of commercialization. That often meant significant financial losses for the group, a factor that contributed to group's dissolution and Iolanda's withdrawal from the movement in 2009.

The production unit that Sueli participates in is the example of a strategy that a growing number of food production units are following, which is to diversify their production by complementing foodstuff with more durable goods. This group, known as "*Mulheres Criativas*" ("Creative Women"), was created with the support of IBase and combines two sites of production, located in two different shantytowns in the northern area of Rio de Janeiro. One of them produces foodstuffs, while the other makes notebooks and other school material out of recycled paper. The two "departments" share revenue and losses in a similar manner as the units that compose "*Justa Trama*", transferring assets when necessary, so as to guarantee economic sustainability and balance between the two.

Barriers in accessing credit and special mechanisms created by the movement

According to Table X, accessing credit is the major challenge faced by 47.14% of production units at the national level, 30% in Rio de Janeiro and 39.71% in Rio Grande do Sul. This challenge is one of the major causes of the difficulty many

production units have in penetrating the market. Table X indicates that, as of 2007, only 15.82% of production units at the national level, 7.22% in Rio de Janeiro and 17.12% in Rio Grande do Sul. A significant percentage of production units, which in Rio de Janeiro exceeded 50%, declared not needing credit for their activities. Still, more than 40% of production units in Rio de Janeiro and Rio Grande do Sul declared not to be able to access the credit they needed. The major factors that make access to credit difficult for many Solidarity Economy production units are, in first place, informality, which makes it impossible to become a debtor of both public and private banks, and in second place the fragility and limited capacity of market penetration of many of them, including formal ones, which substantially decreases their credit rating. These facts create a vicious circle that prevents many production units to make the capital investments and cover the marginal costs necessary to increase their productivity, as well as add value to the goods and services they produce, therefore impeding the expansion of their capacity to penetrate the market. An indication of that is the fact that 20.18% of production units at the national level, as well as 12.14% in Rio de Janeiro and 6.76% in Rio Grande do Sul, claim not to have enough capital to invest in needed capital goods or cover the marginal costs associated with the increase in the amount of goods produced.

One of the central political goals of the Solidarity Economy movement is to change the existing legislation on the formation of cooperatives, so as to make it easier for Solidarity Economy production units to gain formal status and function in a sustainable manner within the formal economy. Improving access to a formal legal identity is seen as a strategy to promote the expansion of the capacity of

commercialization of production units beyond the spaces of “clustered patronage” created by affinity networks and the support of civil society organizations. Meanwhile, taking into account the challenges faced by production units and in order to create political incentives for legislative change, organizations affiliated to the Solidarity Economy movement created special credit mechanisms aimed at improving the access of their beneficiaries to credit. Among them are participatory microcredit systems such as the PACs, developed by *Cáritas*, *Banco Palmas* and “*Casa da Confiança*”, created within FCP and managed by PACS. Besides, UNISOL created for its affiliated a credit mechanism, known as ECOSOL, a credit cooperative with special conditions of access. This mechanism is accessed by a variety of production units such as recuperated enterprises, informal groups of production, formal and informal workers’ associations and small and medium-scale cooperatives, like those that compose “*Justa Trama*”. Table VII indicates that access to these mechanisms is still low at the national level, as well as in Rio de Janeiro, while in Rio Grande do Sul 39.47% of production units have already used their services. This is due to a large extent to the political importance and degree of capillarity that CEBs and labor union organizations have gained in that state since the democratic transition. Fernanda, member of an informal artisans’ cooperative based in Porto Alegre that produces toys for “*Justa Trama*”, claims that the rotational funds from the PACs have helped her production unit to grow and penetrate the market, to the point that it became the major source of income for her as well as her colleagues. The representative of “*UniMetal*” claims that the

cooperative has already accessed credit from ECOSOL, which is helping it to accumulate the funds necessary to buy new machinery and update its technology.

ECOSOL has the advantage of being a credit system that is part of a labor movement organization and funded by the fees paid by workers and production units that are affiliated not only to UNISOL, but also to other labor unions that are part of CUT – *Central Única dos Trabalhadores*. Besides, the technicians hired for its management work under the auspices of representatives of the working class, who decide upon the strategy to be followed by the organization. Although, at the time of fieldwork, there was no data available on the management of ECOSOL, the fact that workers make the strategic decisions indicates that they have a much higher degree of decision-making power vis-à-vis technical elites than those engaged in the PACs. That happens because, in these programs, international donors define the amount of funds available, as well as the criteria for their application. In such circumstances, the efficiency criteria of donors will tend to override the needs of beneficiaries within participatory management mechanisms. That was the case, for example, of the change of criteria in the application of "rotational funds", carried out in the mid-1990's by *Misereor*, *Cáritas* main international donor.

Until the mid-1990's, "rotational funds" were awarded as grants, as the funding package often included support to popular education and other organizational activities within the CEBs. However, from the late 1980's onwards and as a result of a new strategic orientation in the German development aid policy, Misereor changed its criteria for project funding in a way that transformed the "rotational funds" into a microcredit scheme. Beneficiaries were expected to return

100% of the funds with an interest rate of 3% if they intended to start a microenterprise that would be their main source of income, and 30% if the income generation project was intended to complement other sources of revenue. *Misereor* claimed that this was a "pedagogical" measure that would promote the overcoming of assistentialism by promoting responsibility and autonomy among members of the PACs. This measure was also supposed to promote community and inter-community solidarity, as it would promote the development of sustainable projects that would become references as "best practices" that could be shared with other groups. (Bertucci & da Silva, 2003: 28-29). From then onwards, there was a growing concern with selecting projects for funding that already showed a potential for economic viability and production of endogenous financial resources in the medium term. In 1997, Misereor stated that it would from now on only support projects that were integrated into a larger process of organization and mobilization that would have a systematic follow-up by an NGO or social movement organization. These projects should have the potential of reproducing themselves or serving as a "best practice" for the creation of similar other initiatives. Funding would from then onwards only be allocated on a complementary basis and as a support to the raising of funds from other public and private sources. These criteria were approved and implemented despite the mobilization of *Cáritas* beneficiaries in Brazil to prevent it. (Bertucci & da Silva, 2003: 24). The coming into force of more selective rules didn't mean that the projects selected became economically and institutionally more sustainable. In fact, it furthered their financial fragility of new as well as preciously existing financial units. It also threatened the organizational survival of many as

they struggled to adapt to the new criteria of access to the funds, as they included the devolution with interest rates according to set deadlines (op. cit.: 25).

According to staff members of PACS, "*Casa da Confiança*" received funds from the Swiss-based "*Fondation pour le Progrés de l'Homme*" ("Foundation for the Progress of Mankind" – FPH) only at the time of its creation. However, this initiative was interrupted in late 2009 because of the fact many participants in the fund didn't pay back their loans. That happened because "*Casa da Confiança*" lacked an institutional back-up guarantee such as that provided to the PACs by *Cáritas* international donors.

Conclusions

The economic fragility of Solidarity Economy-based production units is the major obstacle to the promotion of the "positive interdependence" and "systemic feedback processes" that Mance (2002) claims to be fundamental for the development of "networks of solidarity-based collaboration". The main source of such fragility is the difficulty that these production units face in terms of access to opportunities of commercialization, credit and know-how. Such difficulty is the result of a combination of structural dynamics and regulations that benefit bourgeois capitalist production, at the same time that they pose significant obstacles to the formation of production units by agents who cannot *a priori* give guarantees of economic sustainability or financial backing in case of organizational insolvency.

Organizational support and corrective interventions are not, by themselves, a guarantee of the economic sustainability and autonomy of production units. They promote access to the knowledge needed for the setting up and everyday function of production units. Besides, they also create opportunities of access to credit and commercialization in the form of microcredit mechanisms, credit cooperatives, thematic shops and Solidarity Economy fairs. These initiatives are of particular importance to production units that, due to their informal status, are not able to benefit from such opportunities beyond the "clustered patronage" of personal networks and institutional support by civil society organizations. Still, the capacity that Solidarity Economy production units have of commercializing their products, even within spaces of "clustered patronage", depends a lot on the use value and quality of their products, as well as on whether or not they are perishable. Besides, such capacity is limited by the fact that, although informal production units may obtain the know-how necessary to improve productivity and the quality of their products, they are not able to access the credit necessary to obtain the technology or the production materials necessary to pursue those goals.

The data collected among representatives in FCP and FGEPS indicates that the production units that participate regularly in the Solidarity Economy forums tend to be particularly fragile and dependent upon institutional partners for access to knowledge, material resources and opportunities of commercialization. That is particularly the case of the vast majority that was "constructed" by institutional interventions and as such lacked a previous accumulation of tacit knowledge that

could help them develop autonomous strategies to cope with the challenges of production and commercialization within the Solidarity Economy sector.

Artisan groups tend to produce handicraft that, due to its decorative purposes, is not generally considered a priority for most consumers. Agricultural and food production units are particularly vulnerable, due to the fact that many of their products are perishable, being easily wasted when they are not sold within a certain time limit. A vast majority of Solidarity Economy production units has to face restrictive rules of firm creation, as well as the costly bureaucracy of the formalization process and the heavy fiscal burden imposed on formal cooperatives and workers' associations by the state. Such combination of factors creates an "underperformance trap" that prevents many of them from entering the formal economy, at the same time that it compromises the sustainability of many others that have formal status.

From a Michelsian point of view, the economic fragility and institutional dependence that characterizes most production units would indicate that the Solidarity Economy movement would be a case study of "the iron law of oligarchy". That would be especially the case taking into account the pressures for cooptation that affect the Solidarity Economy forums. However, there are indications that the support to the economic integration of production units, the creation of a new form of labor unionism, namely in the form of UNISOL and the support to knowledge democratization by PT-led administrations is promoting dynamics that in certain cases neutralize the pressures for cooptation analyzed in the previous chapter.

The support to the creation of supply chain-based networks of economic cooperation is the form of organizational support that has so far been the most successful in terms of promoting the economic sustainability and autonomy of production units. It reduces their dependence upon the capitalist economy in terms of access to production material and opportunities of commercialization. Besides, it promotes economies of scale that reduce costs and increase their capacity for revenue generation. Besides, it also promotes the transfer of revenue from the most successful units to those that are in need of funds to cover investments in capital goods, as well as fixed or marginal costs of production.

There are two circumstances in which production units manage to exert control over sources of organizational support, so as to determine the content of their interventions: One of them is the presence of governments that, besides promoting policy programs for the sector, are receptive to introducing into their content inputs from their interaction with the Solidarity Economy forums. However, such receptiveness is only the result of the interests of political elites in securing a grassroots power base. The other circumstance gives workers a far greater independence from the interests of political elites, as it is based on the very nature and goals of labor movement organizations. At UNISOL, the control of strategic decisions is in the hands of a body of representatives of affiliated workers. Those decisions include the content of technical support to production units, as well as the choice of the technicians hired to provide that service. Besides, it is the workers themselves who provide most of the funding that supports the functioning of UNISOL and its programs, including ECOSOL, its credit cooperative. Fieldwork data

collected among members of production units affiliated to UNISOL indicates that such organizational setup facilitates the access of affiliates to the structures of representation, as well as the placement and processing of grievances over the technical support provided by the organization.

CHAPTER V
Managing the tension between direct and representative democracy: Solidarity Economy forums and parallel spaces of "connectivity" between grassroots struggles

Situating Solidarity Economy among the struggles of the Brazilian popular sector

The previous chapters approached Solidarity Economy from a normative perspective. They analyzed how it emerged as a social movement and area of policy-making, as a result of the collaboration between members of a counter-elite, socialized within the ranks of grassroots Catholic activism, that occupied positions in NGOs, academia and organizations of the labor movement working with grassroots income generation, as well as in PT-led administrations. This counter-elite ended up playing a pivotal role in the co-production of public policies, as well as in the mediation between Solidarity Economy production units and the state in terms of the access to public resources.

The current and following chapters analyze the impact of Solidarity Economy, as a social movement and area of policy-making, on the political and economic empowerment of the popular classes in Brazil. Is the Brazilian Solidarity Economy movement fulfilling its promise of promoting a common transformative project identity for the popular sector, or is it turning out to be an instrument of political cooptation of grassroots collective action, with the purpose of supporting a "third way" economic development program? In order to answer this question, one must analyze three dimensions: (1) how the organizational formations and practices of the Solidarity Economy movement relate to the identity and practices of collective action of the Brazilian popular sector; (2) how the support given by the state and

participating civil society organizations, in the form of popular education, technical assistance, credit and opportunities of commercialization, impact the economic and political empowerment of participating workers.

This chapter presents Solidarity Economy as a new format of collective action, which is hereby called an "institutionalized network movement", and analyzes its inherent tension between the hierarchical logic of bureaucracy and that of direct democracy. It shows how the inclusion of local-level Solidarity Economy forums into a vertically integrated structure of state and national-level representation created obstacles to the promotion of "connectivity' between the communal-oriented struggles of the "pooretariat" and the working class, as well as to the autonomous participation of workers within the forums. That happened due to the predominance that the relationship between forum participants (workers as well as NGOs) and the state gained over the development of horizontal ties of collaboration between production units. It also analyzes how parallel organizational formations are promoting, outside the structure of the Solidarity Economy forums, the movement's goal of fostering "connectivity" among different popular struggles, as well as direct collaboration between production units. Chapter V analyses the extent to which the support provided by civil society organizations, public policies and parallel institutional formations within the Solidarity Economy movement promotes the economic sustainability of production units and their autonomy vis-à-vis institutional supporters. Chapter VI analyses the role of parallel institutional formations in the promotion of organizational democracy within the Solidarity Economy forums, namely by showing how they: (1) promote the autonomous

participation of workers within the local-level Solidarity Economy forums, namely by partially offsetting the pressures for cooptation propitiated by their integration in a vertically integrated structure of representation. (2) prevent the takeover of state-level forums and the National Coordination of FBES by party-led factions.

Trends in collective action among the working class and the "pooretariat" in Brazil

A legacy of elite-driven working class collective action

One may consider that the political identity of the Brazilian popular sector passed from pre-modern to post-modern forms of collective action, based on communalism, that are typical of the "network society" (Castells, 2004), without having passed through the stage of construction of a unified civil society that was the characteristic of industrial modernity. This is to a large extent the result of the fact that the Brazilian economy and state structure went through a process of partial modernization and industrialization, resulting from the dependent development model adopted by national elites. Structural adjustment and the financialization of the economy further eroded the capacity of the national government for autonomous policy-making. It also reinforced the role of identity and place in grassroots collective strategies.

As seen in the previous chapter, the Brazilian working class had, at the time of the democratic transition, a very low level of "impulse" for autonomous, self-managed collective action. This was the result of not only the partial modernization of the Brazilian economy, but also of a legacy of populism and cooptation of the labor movement by authoritarian regimes, which dates back to the Getúlio Vargas

dictatorship. Until the democratic transition, Brazil counted mainly with bureaucratic elite-driven, populist working class movements that advocated a direct connection between a leader and the masses, with the intermediation of labor unions in tandem with the state. The most significant is the political movement built around Leonel Brizola, who was introduced to politics by Getúlio Vargas in the Brazilian Labor Party (PTB – Partido Trabalhista Brasileiro), founded by his supporters in 1945. Brizola played a significant role in Jânio Quadros presidency, was exiled during the dictatorship and founded in 1979 the Democratic Labor Party (PDT – Partido Democrático Trabalhista). Besides, there was the Brazilian Communist Party (PCB), founded in 1922, which had little penetration among the working class (Cohen, 1989: 30). Although it sided with Vargas during the 1940's and 50's, its labor unions were outlawed during the presidencies of Janio Quadros and João Goulart. Besides, PCB refused to take part in the armed resistance against the authoritarian government imposed by the military coup of '64. As a consequence, dissidents of PCB founded two urban guerrilla movements, "*Ação Libertadora Nacional*" (ALN), led by Carlos Mariguella, and "*Movimento Revolucionário 8 de Outubro*" (Revolutionary Movement 8th October – MR8).

The previous chapters also show that the grassroots mobilization that led to the creation of the social movements and civil society organizations that propelled the democratic transition was led by a counter-elite of intellectuals and technicians of predominantly middle class origin, trained within the ranks of progressive Catholic activism. Such counter-elite created the institutional conditions for the strikes in the industrial suburban belt of São Paulo that kick-started the democratic

transition and led to the emergence of an autonomous and organizationally democratic form of labor unionism. The Ecclesial Base Communities (CEBs) provided not only an organizational backdrop for the mobilization of labor activists, but also an economic and political support for those workers who had their jobs, livelihoods or even their freedom and personal integrity threatened as a result of their activism. The previous chapters also show that, in the much vaster social sector that Löwy (1996) refers to as the "pooretariat"[1], the counter-elite of progressive Catholic extraction assumed a role of popular educator and institutional mediator of their struggles, with the purpose of reinforcing their capacity for self-managed collective action and promoting the emergence of a common political identity. However, by the time of the emergence of this counter-elite, the Brazilian "pooretariat" already had lived through substantial episodes of self-managed collective action, although none of them managed to develop into a class-based political project of structural transformation.

Experiences of self-managed communal resistance among popular groups

Brazil has been experiencing, since the colonial period and until the present time, significant experiences of self-managed communal resistance among the "pooretariat", against a backdrop of social segregation, political repression and clientelism. Despite their racial and geographic specificities, these experiences share a "sense of place" and cultural identification, as well as the collective management of economic resources. They also share the common trait of being reactive forms of

[1] For more information about this concept, see Chapter I.

collective action, in the sense that they attempt to create economically and often politically autonomous communities, with the purpose of promoting resistance against the status quo, but without attempting to transform the structures that sustain it.

One may count among the most significant episodes of grassroots self-managed collective action during the colonial period that of "Quilombo dos Palmares". Under the leadership of chieftain Zumbi (1670-1695), this community of Afro-descendents who escaped slavery became a self-sustaining republic that successfully defeated attacks by the Portuguese military and promoted the creation of similar communities, many of which survived into the 21st century (Karasch, 2002). One must also take into account the 18th century native resistance against Portuguese and Spanish colonialism in Rio Grande do Sul, led by the indigenous chieftain Sepé Tiaraju, who aimed to create an autonomous region for seven indigenous nations (Constant, 2006).

After the independence of Brazil and the abolition of slavery, Brazilian society witnessed not only the emergence of a racialized "pooretariat" (Löwy, 1996), but also the first experiment in self-managed grassroots collective action that transcended racial boundaries. Such experiment took the form of an intentional community, set up between 1893 and 1897, known as "*República de Canudos*" (the Republic of Canudos), which was led by Antônio Maciel, also known as "*Antônio Conselheiro*" ("Antônio de the Counselor"). Maciel was a Christian mystic of Portuguese descent, born to a rugged family of cattle breeders in the backlands of Ceará. From 1865 to 1893, Maciel wandered the country, gathering poor white

peasants, runaway slaves and uprooted indigenous people in protest against slavery, the corruption of political and religious authorities and, in 1893, against taxes levied by the new republican government on impoverished peasants and farmers. The state-ordered military repression of that movement led to the retreat of the insurrectionaries to the rural area near the city of Montesanto known as "Canudos". In that area, Maciel, established a socialist-like community, based among other principles on common property and direct barter. In the following years, this community attracted settlers from across the country. This fact unsettled the authorities in the region, which ordered a military attack that dismantled the community and killed more than 50% of its inhabitants (Cunha, [1902] 2010).

Identity- and economic-based communalism in contemporary popular activism

Carril (2006), in her study on race and spatial segregation in contemporary Brazil, identifies a continuous predominance of communalism in the frames and strategies of grassroots self-managed collective action from the colonial period until the 21st century. That happened despite the imposition, by the military regime, of the idea of Brazilian society as a "racial democracy" and the branding of identity-based movements as "unpatriotic" and the censorship of any kind of denouncing of racial discrimination, be it in the form of academic or journalistic production, street protest or artistic expression.

One may consider that the persistence of communal resistance as the predominant form of collective action among popular groups in Brazil is the result of what Castells (2004) identifies as a discontinuity between "the logic of power-

making in the global network and the logic of association and representation in specific societies and cultures" (p. 11). Such discontinuity is to a large extent the result of the persistence of a colonial economic structure in post-colonial Brazil. Carril claims that the emergence of a racially and culturally diverse but spatially segregated popular class in Brazil is the result of late industrialization, financed by capital accumulation in the plantation economy and the subordination of production to commerce well into the 20th century. The emergence of an industrial bourgeoisie tied to the interests of the plantation economy and the capitalist class in industrialized countries was determinant in the emergence of a dependent development regime in Brazil.

Carril characterizes the urban industrial working class and peasantry of states like São Paulo, Rio de Janeiro and Rio Grande do Sul of the early 20th century as being composed to a large extent by descendents of European immigrants that were brought to Brazil to work in the emerging industries, as well as substitute slave labor in the plantations. Late industrialization and the recruitment of immigrant labor created significant obstacles to the social inclusion of former slaves as waged workers. Besides being socially segregated on the grounds of race, Afro-descendents were also disadvantaged in the access to waged employment by the fact that most of them were illiterate, at the contrary of European immigrants. As a result, the social reproduction of the majority of Afro-descendent population was circumscribed to "forms of overexploitation" such as domestic service work and the informal economy. Its housing options continued to be circumscribed to shantytowns in the cities, as well as to "quilombos" in the rural areas, which have

been, since the period of slavery, the only living arrangements made available for the Afro-descendent population (Op. cit.: 58). Although industrialization in the mid and late 20th century promoted the entrance of significant sectors of the Afro-descendent population in the working class, most of them found significant barriers in finding housing outside of shantytowns. Such historical circumstances led to a racialization of the demographic component in shantytown communities, which was not totally erased by the rural exodus promoted by industrialization.

In the mid and late 20th century, rural destitution and rising unemployment promoted the migration to cities like Rio de Janeiro and São Paulo of white, black, indigenous and mixed-race people from the north and northeastern states. A large contingent of these migrants ended up settling in shantytowns. Still, shantytown culture remained identified with its predominantly Afro-Brazilian population (Op.cit.: 230). Its inhabitants, regardless of their ancestry, tend to identity themselves with Afro-Brazilian identity, history, and condition as an excluded "other" in Brazilian society. They also use cultural forms of the African diaspora, such as hip-hop, funk and samba, as elements for the publicization of their political demands, framed within a discourse of allegiance to their community and its residents (Op. cit.: 169-206).

According to Castells (2004), it is not possible in such circumstances of economic dependence and social fragmentation to construct an integrated civil society, since the state cannot secure the application of the social contract, and as such promote the construction of a political identity at the national level (p. 11). As a result, the construction of what Arendt (1959) and Henry (2009) call the "public

self" will happen as a prolongation of reactive, identity-oriented forms of communal resistance in which the "local" and shared racial and cultural traits become the primary source of identity.

On a first approach, the Landless Workers' Movement (MST) seems to be an exception to the trend of communalism, in the sense that it presents itself as a national-level movement and frames its strategy around generalizeable economic claims based on a Marxist ideology, such as land redistribution and the promotion of organic agriculture. However, when looking at the internal practices of MST settlements, one may notice that they practice what can be considered an economic-based form of communalism in which the "local", instead of class, is the primary source of identity (Navarro, 2003). These settlements aim above all to promote their own economic self-management, as well as the use of local crops and intensive agricultural practices in alternative to the de-rooted, extensive and chemically boosted production that characterizes the "green revolution".

On the other hand, racial frames have been gaining an increasing centrality in collective action in both the working class and the "pooretariat" in Brazil since the democratic transition (Carril, 2006: 229). In the mid '90's, CUT and PT created departments for the discussion of the racial question in light of the class struggle. Such introduction was to a large extent the result of the nation-wide influence gained by the "*Movimento Negro Unificado Contra a Discriminação Racial*"[2] (MNU), a cross-class movement created in 1978 that gathers Afro-descendent intellectuals, artists, labor unionists, and community organizers. That influence is also being felt

[2] Translation: Unified Black Movement Against Racial Discrimination.

within shantytown community movements, which practice what can be considered a mix between economic- and identity-based communalism. Although self-organized collective action in shantytowns, especially that promoted by neighborhood associations, tends to frame its demands around economic claims such as land recognition and the building of urban infrastructures, the racial question is gaining a growing importance, especially as the result of racial profiling and violence by the police. Indigenous and Afro-descendent "quilombola" communities have also been using a combination of identity and economic-based communalist frames in their collective action. According to Carril, such frames orient their struggles for land demarcation, protection against invasion by predatory landowners and legal recognition of customary norms of social organization and resource use.

The political economy of grassroots resistance

The participatory action research team based at PACS claims that, besides a communal orientation, there is another common thread between the diverse practices of popular self-managed resistance from the colonial until the contemporary period. Such thread is the promotion of collective practices of economic production, consumption and reciprocal help, at the margins of the mainstream economy, in an attempt not only to guarantee economic survival, but also to create a material basis of autonomy vis-à-vis the status quo (Arruda, Quintela & Soriano, 2000). Such practices have pre-modern roots and are inscribed in the cultural norms of indigenous and "quilombola" communities, as well as those of subsistence farmers in areas of intensive, small-scale and labor-intensive

agriculture. As seen in Chapter II, the CEBs movement capitalized upon these practices to create the MST, as well as the Alternative Community Projects (PACs). Such practices were transferred to the urban setting by migrant rural populations, including Afro-descendents, uprooted Native Brazilians and impoverished subsistence farmers. They promote the economic survival of shantytown populations in face of their exclusion from formal waged labor, as well as their resistance against cooptation by organized crime and clientelist politicians (Sales & Quintela, 2010).

The existence of a common "political economy of resistance" among grassroots struggles indicates that there is a potential for a joint project that integrates the communal-oriented struggles of the "pooretariat" and promotes a convergence between them and those of a downwardly mobile working class, increasingly affected by unemployment and labor precariousness.

Solidarity Economy as an "institutionalized network movement"

Solidarity Economy can be classified as an "institutionalized network movement", an intermediate form between what New Social Movement theorists such as Melucci (1980), Offe (1985), Touraine (1985) and Diani (1995) define as the "old", vertically integrated working class movements and the "new", post-industrial movements based on grassroots, horizontally networked and often informal forms of political organization. Such classification attests for the fact that the organizational setup of the movement is a hybrid, vertically integrated set of

Solidarity Economy forums that take the form of open spaces at the local level and assemblies of elected representatives at the state and national level.

The Solidarity Economy movement is not the result of a bottom-up, spontaneous convergence of the struggles of the "pooretariat" and the working class. Instead, it is the result of concerted institutional interventions, from the part of civil society organizations, aimed at promoting the emergence of a common political identity based on alternative cultural codes shared by the "pooretariat" and the working class. Such codes are materialized on the everyday practices of economic resistance that are common to the "pooretariat" and sectors of the working class affected by labor market precarity. The common political identity thus envisioned transcends communalist-oriented collective action, without eliminating it or denying its importance in the construction of the public self. Several activist researchers and technicians participating in the Solidarity Economy movement claim that one of its major purposes is to develop an economic base for the promotion of the capacity of grassroots social movements for self-managed collective action (Arruda, Quintela & Soriano, 2000, Bertucci & da Silva, 2003; Icaza & de Freitas, 2006; Neto Segundo & Magalhães, 2008).

The creation of public polices for the sector meant that the state joined civil society organizations in the institutional interventions aimed at developing Solidarity Economy as a social movement. According to former public officials during PT administrations in Rio Grande do Sul, the creation of public policies for the sector meant that the state became in itself part of the movement, in the sense that these policies aim to solve the problems that Solidarity Economy-based

production units face in terms of access to credit, technical assistance and commercialization.

Before 2003: The predominance of "open spaces" of direct participation

FCP, as well as the municipal-level forums of the Porto Alegre metropolitan region and the assembly of participants of "*Projeto Esperança/Cooesperança*"[3] were created in the mid 1990's in the form of "open spaces" of direct democratic participation. As seen in Chapter II, these forums were connected with each other through networks of support between the civil society organizations that created them. In 2000, such network was institutionalized in the form of the Brazilian Network of Solidarity Socio-Economy (RBSES), aimed at promoting economic collaboration between the production units and civil society organizations participating in the Solidarity Economy forums.[4]

Sen (2009) and Juris (2004) define the central characteristics of "open spaces" as being those of self-organization, free and open circulation of information, autonomy and emergence. At the contrary of political parties and labor unions, these assembly-like forms of political articulation are not characterized by a competitive and exclusionary logic of aggregation through recruitment, with the purpose of building hegemony. Instead, the logic of open spaces if that of "connectivity", meaning horizontal expansion by articulating diverse movements and organizations within flexible, decentralized structures of communicative action that allow for maximal coordination and communication. The purpose of "open

[3] Later known as the Forum of the Central Region of Rio Grande do Sul.
[4] Chapter II contains more information about this network.

spaces" is not, like in political parties and labor unions, that of developing a unitary strategy through a commandist logic. Instead, it is that of facilitating, through communicative action and the building of horizontal ties and connections, the emergence of common strategies among the participants, while preserving their autonomy and identity-based specificity (Juris, 2004: 351).

The earlier Solidarity Economy forums took the form of monthly open meetings that did not require formal membership, where production units, social movements and civil society organizations represented themselves directly and made decisions through consensus. Still, there were three major differences between these forums:

(1) FCP and the assembly of participants of "*Projeto Esperança/Cooesperança*" were created as "prefigurative public spaces" aimed at promoting economic collaboration among its participants and proposing public policies to the state, The other Solidarity Economy forums in Rio Grande do Sul were created as "participatory public spaces" aimed at facilitating the implementation of public policies and promoting their social control.

(2) While in Rio Grande do Sul civil society organizations only had the status of observers and administrative coordinators of the forums, in FCP they accumulated coordinating functions with the same decision-making power as representatives of production units.

These earlier Solidarity Economy forums have in common the fact that they were created on the basis of collaborations between NGOs and community organizations such as CEBs and neighborhood associations. The NGOs that created

these earlier forums promoted grassroots income generation at the community level with popular education programs and technical support offered through local organizations. In their turn, CEBs and neighborhood associations played a similar role in the mobilization of Solidarity Economy forum participants by NGOs as that of African American churches in the recruitment to the US Civil Rights movement (Calhoun-Brown, 2000). The culture of autonomous communal resistance and collective economic self-help that characterizes CEBs and neighborhood associations helped NGO technicians to frame Solidarity Economy in a way that was in line with the collective action frames of these organizations, therefore encouraging participants to respond to it positively.

The gradual emergence of a vertically integrated structure of representation

The creation of state- and then national-level policies for Solidarity Economy gradually changed the organizational structure of the Solidarity Economy forums. The major outcome of these changes was the relegation of "open space" institutional formats to the local level and their integration into a pyramidal and increasingly bureaucratized structure of state- and national-level forums of a representative nature. Public policies also caused significant changes in the mobilization of production units into the forums, turning it from a voluntary act aimed at promoting collaboration with similar organizations into a requirement for having access to public resources.

The first turning point happened in 1997, with the creation of *Forum Metropolitano.* Although this forum was created with an "open space" format, it

became a requirement for production units to participate in it, in order to have access to technical assistance, credit and opportunities of commercialization promoted by the municipality of Porto Alegre. The municipalities of Porto Alegre, Viamão, Canoas, Cachoeirinha and Gravataí[5] also imposed similar conditions for access to state-provided technical assistance, credit and venues of commercialization.

The second turning point happened in 2003 with the creation of FBES and SENAES. FBES was the first Solidarity Economy forum in the country to have a structured composition. At the Third National Plenary of the Solidarity Economy movement, which took place in June 2003, it was decided that the main decision-making venue of FBES would be the National Coordination, a representative body that would meet twice a year to decide on the strategy of the movement for the following six months. The National Coordination is composed by representatives of the organizations taking part in the Brazilian Working Group of Solidarity Economy of the World Social Forum ("*GT Brasileiro*"), as well as three elected representatives from each state-level forum.[6], Of these three representatives, two would be members of popular cooperatives and another would be either a civil servant working with public policies for the sector or a technician from an NGO, SMO or university-based "incubator". Besides, FBES would count with a National

[5] As seen in the previous chapter, the municipal-level Solidarity Economy forums of Viamão and Canoas were created in 1997, while those of Cahoeirinha and Gravataí were created respectively in 2000 and 2001.

[6] The result of the meeting was the current structure of FBES. A detailed description of its structure and functioning can be consulted on http://www.fbes.org.br/index.php?option=com_content&task=view&id=61&Itemid=57 . As full transcript of the concluding session of the Third National Plenary can be consulted on http://www.fbes.org.br/index.php?option=com_docman&task=cat_view&gid=112&Itemid=216 (both links were last consulted on 11/19/10).

Secretariat, composed by four technicians, to deal with communications between the members throughout the year. The Secretariat would be aided by the National Executive Coordination, composed by representatives of the organizations taking part in "*GT Brasileiro*", as well as UNISOL, which joined it after it creation in 2004. It also counts with the participation of seven elected representatives from production units across the country. Out of this total, two of them would come from the northern states, another two from the northeastern region, and one respectively from the central, southeast and southern regions.[7]

The creation of SENAES and FBES caused significant changes in the Solidarity Economy forums in Rio de Janeiro and Rio Grande do Sul. In Rio de Janeiro, it marked the beginning of the decentralization of FCP and its gradual transition from an "open space" to a representative structure. That happened with the creation, between 2004 and 2008, of municipal-level Solidarity Economy forums in the northern and western suburban towns of Rio de Janeiro such as Duque de Caxias, Nova Iguaçu, Campo Grande, Mesquita and São Gonçalo.

In Rio Grande do Sul, the assembly of "*Projeto Esperança/Cooesperança*" became known as the Forum of the Central Region of Rio Grande do Sul, although it didn't lose its "open space" structure. According to workers and civil society technicians interviewed in the state, the foundation of the "Gaucho"[8] Forum of Solidarity Economy (FGEPS) was motivated by the creation of SENAES and FBES. FGEPS was set up as a representative assembly for elected representatives of each

[7]http://www.fbes.org.br/index.php?option=com_content&task=view&id=65&Itemid=61 (last consulted on 11/19/10).

[8] "Gaucho" is an idiomatic expression used to refer to inhabitants of Rio Grande do Sul and their cultural expressions.

regional-level forum in Rio Grande do Sul. Each forum would send elected representatives of three production units, one NGO or university-based "incubator", a public department working with policy programs for the sector, a social movement and a grassroots economic network. Besides, FGEPS also counted with a representative from EMREDE and another from UNISOL.

The third turning point happened in 2008 with the Fourth National Plenary of the Solidarity Economy movement. At this event, it was decided that the only organizations that would have a fixed "seat" at the National Coordination and National Executive Coordination would be those with operations in at least seven states. That decision led to the withdrawal from these bodies of PACS, FASE and IBase, as well as the official entrance of UNISOL and *Instituto Marista de Solidariedade* (IMS). Besides, it was decided that all the state-level forums would become representative organizations with a structure partially similar to that of the National Coordination of FBES, including three elected representatives from each municipal-level forum, as well as an advisory body, with no voting power, composed by civil society organizations operating at the state level. Of the three elected representatives, two would be from production units, and another a public official or a civil society technician. Decision-making at the state level would from then onwards take place according to the qualified majority rule.

Are national-level articulations compromising autonomous worker participation?

According to Marcos Arruda[9], the introduction of public policies for Solidarity Economy happened too "early", before the Solidarity Economy movement managed to establish a strong enough network of grassroots articulations that would prevent its cooptation by the logic of state bureaucracy and electoral competition. However, Arruda does not totally dismiss the decision of civil society organizations participating in the movement to promote the creation of public policies at the state level in Rio Grande do Sul during the late '80's and '90's, as well at the national level with the election of Lula da Silva in 2002. According to this movement intellectual,

> *"(…) those were historical opportunities that we couldn't let pass by. We need public resources to help solve the problems Solidarity Economy production units face in terms of access to credit, technical assistance and opportunities of commercialization. However, this should be done in a way that promotes their autonomy vis-à-vis the state, which strengthens the autonomy of the forums. It should be done in a way that strengthens popular education, the promotion of a consciousness of solidarity and economic collaboration based on solidarity, not reproduction of the neoliberal logic of productivity, profit and individualism. (…) Every strategic decision implies risks and compromise*."

The tension between the logic of bureaucracy and direct democracy

The Solidarity Economy forums were originally envisioned to fulfill the role of what Sousa Santos (2005) calls "contact zones" where different community-based struggles meet and collaborate, with the purpose of reciprocally strengthening their capacity for self-managed collective action. However, the introduction of public

[9] Field notes of conversation that took place in July 2007.

policies and the integration of local-level forums into vertical structures of representation led to the increasing dominance of the hierarchical logic of decision-making in the modern, bureaucratic state over that of open space networking. Such dominance created obstacles to the formation of horizontal networks of collaboration among production units, therefore promoting individualized participation within the forums.

In Rio Grande do Sul and in the municipalities of Mesquita and São Gonçalo in Rio de Janeiro, the creation of Solidarity Economy forums with the purpose of supporting and socially controlling policy implementation led to the predominance of a vertical, individualized relationship between production units and the state over the promotion of horizontal collaboration between participants. Several workers from Rio Grande do Sul claim that the only kind of collaboration they engage in with members from other production units is that of participating in meetings aimed at organizing Solidarity Economy fairs. Outside of that, their participation in the forums takes an individualized form, since workers take part in it to receive information about public policies and ensure their participation in commercialization venues or skills development programs. The analysis of report meetings from the forum of Porto Alegre and *Forum Metropolitano*, as well as interviews with participants of the forums of Cachoeirinha, Canoas and Gravataí, indicate that the agenda of meetings since 2006 has focused on the preparation of Solidarity Economy fairs, as well as the choice of representatives for the 4th Plenary of the Solidarity Economy movement. In Porto Alegre and Gravataí, the municipal-level forums, on request by the respective municipal administration, ended up

aggregating all the participating production units, both formal and informal, under a formalized organizational form that is known as a Commercialization Collective. According to the coordinators of the Collectives of both municipalities, the purpose was to create a legal identity that would facilitate the collaboration with the state in the organization of Solidarity Economy fairs.

The situation in Rio de Janeiro is not much different. In Mesquita and São Gonçalo, workers participate in the Solidarity Economy forums with the purpose of ensuring a spot in the weekly fairs organized by the municipality, as well as in skills development programs it organizes with the collaboration of NGOs and university-based "incubators". Although there were not other public policies for Solidarity Economy in Rio de Janeiro at the time of fieldwork, FCP ended up having similar dynamics of participation to those of the forums in Rio Grande do Sul, Mesquita and São Gonçalo. Those dynamics are to a large extent the result of the predominance of a vertically integrated structure of representation over the construction of networks of collaboration at the local level. An NGO technician claims that national-level articulations interfered with the initial plans of FCP to integrate participating production units in a production, credit and commercialization collective:

> "*You see, our plan in the beginning was to create the collective, so as to give a legal identity to the production units, so that they collectively purchase production materials from the market, as well as sell in public fairs, as well as to consumers' cooperatives. But you see, all these articulations started taking too much energy, too much time, and started creating too much conflict. Many people who were initially very engaged and very supportive of that project started demobilizing, because they felt the forum was losing its initial focus. (…) Nowadays,*

the only thing we have left from that initial project is "Casa da Confiança".[10]

A worker from Rio de Janeiro claims that

"*The monthly meetings [of FCP] have a lot of participants when there is a trip in sight, a trip to participate in the National Coordination, the yearly fair of Santa Maria or other national-level event. There are limited resources to fund those trips and there are limited places for people to go. [X][11] says that the prerequisite for participating in those events is regular participation in the forum, as well as in the activities organized by the NGOs, so that people will get the education and training they say we need in order to participate in them. Therefore, people come because they want to go. And they want to go because at those events they always have the opportunity to sell stuff. Therefore, they want to be in their good favor, because in the end it is them who choose who goes to those events.*"

This testimony indicates that public policies and national-level articulations reinforced the dependence of production units on NGOs. From the point of view of workers, the aggregation of beneficiaries by NGOs and their maintenance under their sphere of influence is necessary for them to justify their projects and as such increase their chances of obtaining funds from either the state or international donors. A member of a production unit based in Rio de Janeiro interprets the relationship between NGOs and workers in the following manner:

"That 'business' of NGOs is good because it involves money, and wherever there is money there are power struggles. (…) They struggle with each other for money from Brasilia or from international donors. They need us for that, to justify the money they receive, to justify their salaries. (…) It is in their interest to keep us dependent on them. That's why they don't create programs that effectively promote our economic independence."

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[10] 'Casa da Confiança" is a microcredit unit created by FCP's working group on solidarity-based finance and coordinated by PACS. The next chapter contains more information about this initiative.

[11] The name of the NGO technician that was part of FCP's secretariat at the time was withdrawn so as to protect the identity of the individual and respective organization, as well as of the respondent who made this claim.

Such dynamics are not an exclusive of NGOs. A worker from Rio Grande do Sul has a similar interpretation regarding the relationship between "incubators", both public and university-based, and their beneficiaries:

> *"(...) incubators are not interested in seeing the production units they "incubate" become independent. They tend to perpetuate the "incubation" process as long as possible in order to justify their existence and receive resources. In the case of the public incubators, it is to get funds from the state and get votes for the party in power. In case of university-based incubators, it is above all to "feed" research projects, to justify the canalization of research money and to provide a venue where students can do internships and do their thesis or dissertation fieldwork."*

Such relationships of dependence restrict the capacity for autonomous participation of workers within the Solidarity Economy forums, especially in FCP. According to a regular participant,

> *"(…)if you talk inside the forum and you work for an NGO or are supported by one, you are well treated. They listen to you. If not, they think you do not have a 'base', they ask 'where are you from?' (…) There is no point in discriminating us just because we joined the forum recently and don't have that kind of backing. (…)."*

During FCP monthly meetings, I had the chance of witnessing similar situations to those described by these respondents. At the meeting that preceded the 2008 national-level Solidarity Economy fair of Santa Maria, a worker had a heated exchange with an NGO technician regarding access to funds to cover the expenses associated with the participation of workers in the event. During a break, another worker, a long-standing participant who has often represented FCP at national-level articulations, contextualized the argument by claiming that

> *"(…) people have their own opinions, even their own criticisms to the way they [NGOs] run things, but they don't voice their concerns, because they depend on them for participating in the fairs, for knowing what's going on, for selling. That's why they keep quiet, because they don't*

want to risk losing their backing, they don't want to be excluded from participating in fairs."

Some months after, it was the turn for this worker to have an altercation with a NGO technician over aspects of the organization of a commercialization event in the state. The worker's arguments were backed with concrete examples from similar events that took place over the previous decade. When the technician, who is a recent participant in the forum, refused to take the worker's argument into account, claiming lack of technical knowledge, the worker left the meeting, claiming that it is a waste of time to travel a far distance and lose a day of production to be patronized.

Another illustrative meeting was that in which FCP decided on who would be representatives to the 8th meeting of the National Coordination, which concluded the 4th National Plenary of the Solidarity Economy movement. During the meeting, no worker voluntarily presented her or himself as candidate to represent the forum at the meeting. Instead, an NGO technician proposed which workers should be chosen to represent FCP, using arguments based on accumulated experience, knowledge and assiduity at forum meetings and skills development initiatives organized by participating organizations. The technician also argued that the proposed representatives would represent both the "older" and the "younger" municipal-level forums. That would not only promote mutual support during the event, but also the transmission of experiential knowledge on forum articulations back to the "younger" forum. No worker expressed disagreement or presented alternative arguments to those presented by the NGO technician. After expressing those arguments and asking the workers in question if they agreed with the choice, the technician asked the rest of the participants if anyone had any opposing

arguments or alternative suggestions. After nearly a minute of silence, the technician asked the people who agreed with the choice to raise their hands. Since everyone present responded, the technician declared that that topic of the agenda was then closed.

In Rio Grande do Sul, the introduction of municipal and state-level public policies for Solidarity Economy decreased the dependence of production units on NGOs. These policies had the advantage of allowing production units a direct access to credit[12], technical assistance and venues of commercialization, without having to depend on the mediation of NGOs or university-based “incubators”. For the purpose of technical assistance, the state de-privatized the knowledge and methodologies of grassroots income generation developed by civil society organizations by hiring technicians from NGOs, labor unions and SEBRAE. Such strategy gave workers direct access to their knowledge without having to establish a relationship with them as beneficiaries. The substitution of PT-led administrations through electoral competition led to budget cuts in the policy programs for Solidarity Economy. Such cuts resulted in the diminution of the provision of technical assistance by the state, therefore promoting a greater dependence of production units on civil society organizations. However, continuing public support to venues of commercialization, such as the Solidarity Economy shops and the municipal and state-level fairs, promoted a substantial degree of autonomy of the production units vis-à-vis civil society organizations. That happens because workers themselves manage the upkeep of Solidarity Economy shops, as well as the organization of the regular fairs.

[12] Although during the brief period of functioning of *Portosol*, as seen in the previous chapter.

The organization and management of these venues takes place within the meetings of the municipal- and state-level forums, as well as in the framework of parallel meetings of organizing committees. NGOs participate in the forums and parallel meetings only as observers and providers of technical advice, since only representatives of production units have decision-making power.

The interference of the logic of electoral competition

The introduction of public policies for Solidarity Economy in Rio Grande do Sul decreased the dependence of production units vis-à-vis civil society organizations. However, it made them more dependent upon public officials and politicians. As seen in the previous chapter, these policies were created in the framework of government programs, without being institutionalized as state policies whose continuity would be guaranteed by the force of law, despite changes in the party in government.[13] From the point of view of workers, that fact exposed the Solidarity Economy forums to interferences by party-based elites within the Workers' Party (PT), who aimed to build a grassroots political base of support to the pursuit of political hegemony, through the expansion of their influence within the party, as well as at the state level in electoral competition. Such interferences took the form of attempts to align the strategic frames of Solidarity Economy with that of PT, indicating that the furthering of the goals of the movement were dependent on the renewal of mandates by PT administrations. A worker based in Porto Alegre claims that the contents of some theoretical seminars on Solidarity Economy

[13] As seen in Chapter III, such institutionalization only happened in 2008 and was restricted to the municipalities of Santa Maria, Canoas and Viamão.

organized by the municipal government indicated that adopting a critical understanding of neoliberal political economy would imply accepting the political program of PT as the only viable alternative:

> *"Some of the seminars promoted by the municipal administration were given very much in the line of PT, in a party-based approach. (…) Something that we fought for a lot in the forums was to show that Solidarity Economy is not bound to PT. (…) In Porto Alegre, there is the idea that Solidarity Economy equals PT. We showed that we had our own ideals and a path that is not dependent on that of PT. We work with any party, as long as it respects the principles of Solidarity Economy. (…) We speak about general politics, which is above political parties."*

Another worker indicated that the forums themselves became a venue for electoral recruitment:

> "*There are former public officials, who were working with public policies for Solidarity Economy during Dutra's government, or at the municipality when it "was" PT, who afterwards created NGOs with the purpose of aggregating people, of aggregating production units in a chain of influence, for the purpose of capturing their vote. Those people started interfering in the forums in such a way that they would make a huge mess when we made decisions that went against their point of view. (…) They come and impose themselves, impose the people that they want to see coordinating the forums and representing them at the national level. Of course, that created a lot of conflict. (…) They have that strategy: When they can't take over public spaces, they divide them*."

The "they" that the respondent refers to is "*Democracia Socialista*" (DS)[14], a Trotskyite formation within PT. However, DS does not seem to be the only tendency

[14] Translation: Socialist Democracy. DS is a Trotskyite group, formed in 1979 in Rio Grande do Sul, that joined PT upon its foundation in 1980. Most of DS' militants are located in the state of Rio Grande do Sul, although they also exert significant influence in the northeast, namely in Ceará, as well as in Rio de Janeiro. DS gained a prominent position in the PT-led municipal administrations in Porto Alegre, as well as during Olivio Dutra's state-level government. Some former public officials in these administrations were then recruited by SENAES as project diectors. DS militants played a significant role in the elaboration of the Participatory Budget, as well as in the arrangements for the three World Social Forums held in Porto Alegre (de Angelo, 2008). The steering of PT's core tendencies towards a "third way" development model caused tensions with more Marxist/Left tendencies within the party, including DS. Heloísa Helena, a Rio de Janeiro-based DS militant and member of the Brazilian Senate,

within PT that is attempting to aggregate Solidarity Forum participants in its attempt to promote hegemony. Another tendency that seems to be following similar goals, although using a different strategy is "*Construindo Um Novo Brasil*" (CNB)[15], the current leading tendency within PT, closely associated with labor unionism and with a developmentalist perspective on economic policy. It is also the leading tendency within the Solidarity Economy section of PT, which gathers militants working with Solidarity Economy as members of production units, public officials or technicians in civil society organizations. An NGO technician based in Rio de Janeiro claims that the underlying strategy of construction of hegemony is not an exclusive of DS. According to this respondent, it is instead a strategy perpetrated by PT itself, with the purpose of preventing the Solidarity Economy forums from becoming a venue of opposition to the development model carried out by PT. A worker based in Rio de Janeiro, who at the time of fieldwork has been participating in FCP for more than a decade and has represented the forum in all national-level events, associates the creation of UNISOL and UNICAFES with CNB's goal of reinforcing its predominance with PT:

> "*I participated in the National-level Meeting of Solidarity Economy-based Enterprises.*[16] *You know, at the same time that the Meeting was taking place, the Solidarity Economy section of PT was meeting with the leaders of CUT, and from that meeting came out UNISOL and UNICAFES. They were created because they had political support for it and that, because of their political influence, it would be easy for them to have access to funds from SENAES. (…) In my honest opinion, I think UNISOL and UNICAFES were created to aggregate votes*."

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and other dissident PT members were expelled and formed the Socialism and Freedom Party (PSOL). However, the majority of DS militants remained in PT, engaging in continuous attempts to unseat the current leading tendencies within the party. Leading DS member Raul Pont, from Rio Grande do Sul, narrowly lost with 48% of the votes the 2005 election for the presidency of PT.

[15] Translation: Building a New Brazil.

[16] This event was organized by FBES and took place in Brasilia in August 2004.

The period of preparation for the 4th National Plenary of the Solidarity Economy movement, as well as its conclusion, were the times when internal conflict within the forums resulting from interference by party elites became more acute.[17] As a result of those conflicts, FGEPS experienced a near paralysis, to the point that it only met once during the period of fieldwork. That meeting took place in December 2008 during the yearly state-level fair of Solidarity Economy. The agenda of the meeting was composed only by administrative issues related with the management of the event. According to a participant in the event, the relationship between the different participants was so tense that, if the meeting was appointed to another date and venue, most of them would not have shown up. Restricting the agenda to administrative manners and keeping its duration to a minimum, given the need of attending to commercialization and skills development workshops during the fair, was a strategy to prevent conflict by avoid discussions about internal politics within the forum.

During the period of preparation to the 4th National Plenary, FCP experienced similar disruptions in its meetings to those that affected FGEPS. According to several interviewees, the disruptions were caused by three regular participants that were PT militants and had connections to both DS and CUT. One of them was a member of a production unit and candidate to the local government of a small city in the inland of the state of Rio de Janeiro. The other two were middle-class white-collar workers,

[17] Chapter VI analyses more deeply the impact of the interference of party-based elites on FGEPS, FCP and the National Coordination of FBES during the 4th plenary. It also analyses how the continuing functioning of the municipal-level forums prevented the dissolution of the institutional base of the movement.

both of long-time participants in the labor union and CEBs movements, who have an interest in sustainable, grassroots-led development. According to several technicians and members of production units, these participants "imposed" themselves as representatives to the 4th Plenary. These respondents claimed that the individuals in question interfered with meetings by putting into question the role of the NGOs, saying that they didn't have legitimacy to coordinate a public space that belongs to the popular classes. A technician from a Rio de Janeiro-based NGO explains the situation in the following manner:

> "*It is all orchestrated from "the above", from the summits of PT and SENAES. The "companheiros"*[18] *that started to cause all that trouble and were forcing themselves to be chosen to go to the 4th Plenary are affiliated to DS. However, the power play goes further than that. The internal trouble started at a time when UNISOL was trying to establish itself in Rio de Janeiro. (…) They all represent a kind of politics that Solidarity Economy fights against, a form of making politics based on hierarchy, on the amassing of power, on the controlling of people by the state, on making workers dependent so as to 'feed' the power agendas of some ambitious individuals, as well as the promotion of neo-liberalism by the government, which disappointed us so badly. This is totally against what we stand for, which is self-management, horizontality, bottom-up governance, direct democracy.*"

I had the chance of interviewing the individuals in question, which presented an opposing view of the dynamics within FCP, as well as of the role of NGOs, political parties and the labor movement in the promotion of Solidarity Economy as a political project. According to these respondents, it is the NGOs who are posing the biggest obstacles to the promotion of self-management, horizontality and direct democracy. One of them claimed that

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[18] "Companheiro" is a term used to refer to fellow participants in Brazilian social movements, as well as within the Worker's Party. The participants in question were two white-collar professionals and an organic farmer. The three of them were DS militants. One of them was also affiliated to CUT.

> *"You see, these NGOs are part of neoliberal governance. They are the agents of promotion of neoliberalism among the poor. They keep them in a false consciousness. You've been hanging out with them! You know their discourses! It's all about little expectations, the glorification of 'dignified poverty', those little courses in which they teach the little poor people to embroider little dishrags. (...) They need to think big! They need to develop their production units so that they can grow, become independent make money, not lessons on morality! They need a project of structural transformation, militancy, not survivalist strategies that keep them tied to their communities, to their poverty, without perspective, 'in their place', the way capitalism wants."*

These individuals ended up presenting themselves as part of the FCP delegation to the 4th National Plenary[19], although they did not receive the mandate for that function by the forum. During the meeting of preparation to the 8th meeting of the National Coordination of FBES, an NGO technician that takes part in the FCP secretariat drafted a letter, to be presented during the meeting, in which the forum repudiated their participation at the 4th National Plenary and confirmed that they were not chosen by the forum to take part in the delegation. The participants in the FCP preparatory meeting unanimously approved the letter.

The conflict, within FCP, between the vanguardist, mass-movement approach of DS and CNB and the autonomist, community education-centered perspective of activist NGOs led to a substantial decrease in participation in forums meetings during most of 2007 and 2008. During interviews and casual conversations, several workers claimed that they preferred to tend to their everyday production than to spend their time in ideologically motivated discussions that contributed little to the fulfillment of their needs.

[19] The FCP delegation was composed by 15 people, including workers, NGO technicians and civil servants.

Building "connectivity" outside of the Solidarity Economy forums

The previous testimonies indicate that the predominance of "vertical" relationships between production units, NGOs and the state over the construction of horizontal relationships of collaboration had a negative impact on the participation of workers within the forums. It introduced a bureaucratic, competitive logic that reinforced the dependence of workers regarding NGOs and the state and led to an overpowering of their tacit, experiential knowledge by that of technicians. It also opened up the Solidarity Economy forums to attempts at cooptation by party-based elites. As a result, it led to the emergence of an individualized and competitive logic of participation that goes against that of self-managed communalist collective action, both in its identity- and economic-based forms. In that sense, one may consider that the integration of the Solidarity Economy forums in a vertical structure of representation has restricted their capacity to build "connectivity" among different popular and working class movements and communal struggles. That happened even with those at the municipal and regional level that retained an open space structure. However, organizations participating in the Solidarity Economy movement have been building, beyond the structure of the forums, successful spaces of grassroots "connectivity" that promote the economic and normative goals of the Solidarity Economy movement. Among the most prominent cases are those of "*Projeto Esperança/Cooesperanca*", supported by *Cáritas*, "*Justa Trama*" [20], a grassroots economic network associated to UNISOL and two feminist networks based in Rio de Janeiro: The Cooperative Network of Women

[20] http://www.justatrama.com.br/home/index.php

Entrepreneurs and the Network of Women's Solidarity of the Western Region of Rio de Janeiro.

"Esperança/Cooesperanca": Connecting economic and identity-based struggles

The only case within this set of examples that has been promoting "connectivity" between identity- and economic-based communal struggles is "*Esperança/Cooesperanca*". The economic and political success of this project is to a large extent the result of the financial and technical support received by international partners, which endowed it with the necessary resources to build grassroots connectivity while maintaining a significant degree of autonomy from the state.

As seen in Chapter II, this project was built upon the network of Alternative Community Projects (PACs) established by *Cáritas* in the town of Santa Maria and the surrounding rural region. "*Esperança/Cooesperanca"* complements the credit and skills development initiatives provided by the PACs with specialized technical assistance and the promotion of regular commercialization events in a collectively managed space. The project does it with the financial support of international donors, the municipalities and the National Program for Solidarity Economy Fairs, managed by SENAES. "*Esperança/Cooesperanca"* is managed by an assembly of beneficiaries, coordinated by *Cáritas*, which after 2003, with the creation of FGEPS, became known as the Forum of the Central Region of Rio Grande do Sul. The "public face" of the project is its main commercialization venue, known as "*Centro de*

Referência em Economia Solidária Dom Ivo Lorscheider”[21]. This infrastructure was created in the mid-‘90’s by the municipality of Santa Maria on request by Cáritas and the assembly of participants of “*Projeto Esperança/Cooesperanca*”. This venue hosts the weekly “*Mercado Colonial*”[22], which sells goods produced by about 230 subsistence farming units and groups of artisans associated to the project, as well as the yearly National and Mercosur-level Solidarity Economy Fairs. The subsistence farming groups include families working within MST settlements in the region, or affiliated to *Movimento dos Pequenos Agricultores*[23] (MPA). For many of these groups, the “*Centro de Referência”* is the only venue where they have the opportunity to sell their products and generate income. That is especially the case of subsistence farmers located in remote areas of the town’s rural belt, as well as artisans and crop producers from indigenous and “quilombola” communities in the region, who suffer from both racial discrimination and geographic isolation.

The weekly fairs play a very important role in the promotion of direct, unmediated collaboration between participants. During the fairs, it is common to see farmers and artisans informally exchanging information on techniques of production. The space of the fair is also used for the participants to organize workshops in which they teach other participants specific production skills. Besides, participation in the fairs promotes experiential learning through observation and interaction with other participants. The representative of a unit of waste collectors

[21] Translation: Center of Reference for Solidarity Economy D. Ivo Lorscheider.
[22] The direct translation of this term to English would be “Colonial Market”. The term “colonial” refers to “colonia”, which in Rio Grande do Sul is the term used to refer to family subsistence farming units set up by descendents of European immigrants.
[23] Translation: Movement of Small Agricultural Producers.

and recyclers that sells handicraft products at the weekly fair learned about the advantages of productive specialization by observing and sharing ideas with fellow vendors.

> "*I realized that we [artisans] sell products that are very similar and that leads us not only to sell less, but also to compete with each other. I ended up suggesting to Sister Lourdes that each of our groups start producing different products, so that we may sell more, as well as collaborate more with each other*."

The fairs also promote the circulation of knowledge between the different movements associated with "*Esperança/Cooesperanca*". The "*Centro de Referência"* has a room that hosts the regional MST Seeds Bank, which stores organically produced seeds of native plants for future use by all the participants in the project. In that space, the MST also organizes, in collaboration with the MPA, workshops on permaculture, organic agriculture and native harvesting techniques. The two land rights movements often invite members of "quilombola" and indigenous groups to give workshops on agricultural techniques developed within their communities. These workshops are attended not only by members of groups taking part in "*Esperança/Cooesperanca*", but also by other residents in the region of Santa Maria.

The events taking place at "*Centro de Referência*" also play a performative role in the publicization of the communal struggles that are there represented. The whole venue is shrouded in a kind of symbolism that identifies the commerce that takes place within its premises with grassroots struggles for land reform, sustainable development and self-determination of traditional ethnic communities. Such symbolism starts with the full name of the center, which makes reference to the late Dom Ivo Lorscheider, bishop of Santa Maria whom, together with Dom

Helder Câmara, was one of the major promoters of Liberation Theology and CEBs in Brazil. The late cleric was not only the founder of "*Projeto Esperança/Cooesperanca*", but also a strong supporter of the MST and MPA. The presence among the vendors of members of MST settlements, subsistence farmers associated with the MPA and members of indigenous and "quilombola" communities enhances the identification of the venue with grassroots struggles, namely through the display of large flags, the distribution of pamphlets and the exhibition of pictorial art and music associated with each movement. The decoration of the area reserved for the commercialization of handicraft products makes direct reference to aspects of "Gaucho", Indigenous and Afro-Brazilian cultures. Every weekend, one may find artisans selling woolen "Gaucho" capes, *Bomba de Chimarrão*[24] and *Bombacha*. One may also find representatives from local Indigenous and "Quilombola" communities selling hand-made cooking instruments, furniture, clothing and decorative artifacts.

The yearly National and Mercosur-level Solidarity Economy Fair largely contributes to the political importance of the *"Centro de Referência".* This Fair, which is financially supported by SENAES and international partners of *Cáritas* such as Misereor, is considered the major yearly event of the Solidarity Economy movement in Latin America and the largest of its kind in the world. The first event of this kind took place in 2001, in the form of a national-level fair. However, the growing connections between the Brazilian Solidarity Economy movement and counterparts in other Latin American countries started attracting participants from other regions. In 2004, in counted for the first time with the participation of vendors from other

[24] Cup made of the shell of a calabash, used for drinking hot "Chimarrão", known in the rest of the American continent as yerba mate or mate tea.

countries in Mercosur. The yearly fair always includes a Latin American Seminar on Solidarity Economy, composed by workshops, teach-ins and political networking meetings organized by participating social movements. It also includes demonstrations by peace, youth and student movements from the Mercosur region.

The yearly fair also has a strong performative element. For example, it offers music and theater performances by groups representing the ethnic and cultural diversity of Latin American popular culture. Most of these performances have a clear political message. An example is that presented in the 2006 by a traditional "Gaucho" duo from a frontier town that sang about the indigenous resistance led by Sepé Tiaraju, against European colonialism in 1756. In January 2010, the *"Centro de Referência"* hosted the first World Fair of Solidarity Economy, organized in the framework of the 10th anniversary of the World Social Forum. The event counted with the participation of vendors and visitors from more than 30 countries. The theme of the event was the promotion of sustainable development and economic democracy through Solidarity Economy. One of the most symbolically charged aspects of the Fair was that water was distributed for free to all the participants. The vendors were forbidden to commercialize water. According to one of the coordinators, the purpose was to protest against the privatization of water in different parts of the world. In order to raise awareness of that cause, the organizing committee placed a gigantic container at the center of the venue, where participants could serve themselves and which was regularly replenished. Besides, the organizing committee included in the material distributed to the participants

information on the meaning of the water container. It also organized teach-ins on the privatization of water and the risk that it poses to public wellbeing.

"Justa Trama": Linking working class struggles with those of the "pooretariat"

As seen in Chapter II, UNISOL was created by CUT with the purpose of reaching out to sectors of the working class affected by unemployment, as well as sectors of the "pooretariat" working within the informal economy. The purpose of UNISOL is not only to promote an integration of these sectors of the population in the formal market, through the constitution of formalized workers' cooperatives, but also to mobilize them into working class struggles. At the core of UNISOL's strategy is the promotion of the integration of affiliated workers' cooperatives in grassroots supply chain-based networks of economic collaboration.

"Justa Trama" provides one of the most comprehensive examples in Brazil of the establishment of "connectivity" between the struggles of the working class and those of the "pooretariat" through the creation of grassroots economic networks. This network was created in 2005, with the support of SENAES' program for the development of grassroots economic networks. It was the result of the mobilization by UNISOL of Solidarity Economy production units across the country to produce bags, T-shits and other textile-based promotional material for the World Social Forum of that year. The core of the network is composed by five workers' cooperatives that, with the technical assistance of UNISOL, cover all phases of production of clothing, toys and apparel made of organic cotton. COOPERTEXTIL, headquartered in the municipality of Tauá, in the semi-arid region of Ceará,

aggregates nearly 300 family-based subsistence-farming units in the production of raw organic cotton. "*Cooperativa Açai*," an artisans' cooperative based in Porto Velho, capital city of the Amazonian state of Rondônia, uses seeds and shells from local plants to produce buttons, jewelry and belts. This cooperatives includes urban artisans from the city's shantytowns, as well as members of indigenous and mixed-race "caboclo"[25] communities in rural areas across the state. In their turn, COOPERTEXTIL and "*Cooperativa Açaí"* sell their products directly to "*Cooperativa Fio Nobre"*, a recuperated factory based in Itajaí, Santa Catarina, which transforms the cotton into thread, weaves fabric and produces knitted clothing with decorative applications made out of Amazonian seeds and plant shells. "*Cooperativa Açaí"* and "*Cooperativa Fio Nobre"* also sell their products to UNIVENS and COOPSTILUS, two seamstresses' cooperatives based respectively in Porto Alegre, Rio Grande do Sul, and Santo André, in the periphery of São Paulo. These two cooperatives use the semi-transformed products received from their partners to transform them into clothing, apparel and toys.

All of the cooperatives that compose "*Justa Trama*" preexisted the creation of the network. UNIVENS made clothing alterations and produced uniforms for schools and hospitals, as well as material for events organized by the Solidarity Economy movement. *Cooperativa Açaí* produced handicraft products that reflect local indigenous and "caboclo" traditions. The associates of COOPERTEXTIL produced a series of agricultural products for personal consumption and commercialization at local markets. "*Cooperativa Fio Nobre*" produced threads that for a diversity of

[25] "Caboclo" is the term used in northern Brazil to refer to uprooted indigenous and mixed-race people that make a living out of family farming and fishing in the Amazonian region.

clients within the capitalist market. The creation of "*Justa Trama*" did not lead to the abandonment of those previous activities. Instead, it complemented them by promoting a partial specialization of production that increased productivity and net gains. According to a member of COOPERTEXTIL[26],

> *"[t]he members of the cooperative now produce more of a specific product, and better. Before, they produced a little bit of everything. Given the harsh climate of the semi-arid region, they were never sure if and when they would produce enough of a given product either for their own personal consumption or for sale. With the support of UNISOL, they directed a good part of their resources to the production of a plant that is adapted to the climate and the soils of the region. They also have clients that they know will continue buying from them. They sell to other cooperatives in the South and Southeast, without having to resort to middlemen, so they get a fair price for their production, and as a result they live a lot better. But that doesn't mean that they stopped producing those products that they were producing before.*"

UNIVENS experienced a similar process. According to Joana, the cooperative's coordinator[27], this production unit still gets much of its income from clothing alterations and requests from labor unions, NGOs, schools, hospitals and FBES itself. However, the sale of products created by "*Justa Trama*" has substantially increased the gains of the cooperative and represents a growing percentage of its total revenue.

"*Justa Trama*" brings an additional economic advantage to its associates. Besides the right of access to credit from ECOSOL[28], which they have as associates of UNISOL, they also receive support from other cooperatives in the network for investments that they cannot carry out with internal resources or institutional

[26] Interview carried out in Fortaleza, Ceará, 11/18/08.
[27] The interview took place in Porto Alegre on 03/20/09.
[28] As seen in Chapter II, ECOSOL is a credit mechanism for Solidarity Economy production units created by UNISOL.

credit. According to Joana, the purpose is to promote the "collective efficiency" of the network as a whole:

> "*We want to make sure that no cooperative grows disproportionally in relation to the others. The network exists to benefit everyone involved and is an egalitarian structure. We don't have a "leading" cooperative that makes decisions for the others. That's why we pool the revenue that is left after we allocate the income for our associates. The cooperatives that have better results transfer part of their leftover revenue to those in need. (…) We do that instead of applying it all on internal investment, so that one or more cooperatives will not end up growing disproportionately in comparison with the others. That would upset the balance of the network, as some cooperatives would end up growing at the expense of others. (…)*"

Connecting feminist, anti-racist and anti-capitalist struggles in Rio de Janeiro

Despite the difficulties experienced by FCP in promoting "connectivity" within its institutional structure, some of its founding organizations have been successfully promoting it in what can be called "parallel public spaces". Such spaces are two feminist networks based in the city of Rio de Janeiro: The Cooperative Network of Women Entrepreneurs, (CNWE) associated to "*Articulação das Mulheres Brasileiras*"[29] (AMB) and the Network of Women's Solidarity of the Western Region of Rio de Janeiro (NWS), associated to the national chapter of the World March of Women (WMW). [30] Although CNWE and NWS were created as feminist networks,

[29] Translation: Articulation of Brazilian Women.

[30] At the time of fieldwork, such networks only existed in Rio de Janeiro. In Rio Grande do Sul, I found no information about similar grassroots networks affiliated to AMB. The state-level chapter of the WMW meets once every three months to organize protest and advocacy actions and, unlike its counterpart in Rio de Janeiro, does not gather Solidarity Economy production units with the purpose

they ended up counting with the presence of men who were long-time participants in FCP. What these men search for in these networks is the participation in collaborative processes of knowledge creation and economic exchange that were initially planned to take place in the framework of FCP, but were interrupted by the concentration of efforts in national-level articulations.

CNWE was created in 1997 by Asplande, with the purpose of gathering women from the popular classes, who work as members of units of cooperative production or microentrepreneurs, in a network of economic collaboration. According to the coordinator of Asplande, the purpose of this network is to build a production and commercialization collective in the format of that which was planned to be developed in the framework of FCP. Asplande is the coordinator of CNWE, which meets monthly with the purpose of promoting the exchange of experiential knowledge between participants on the management of their production units. Besides, Asplande organizes courses for the network on the management of Solidarity Economy production units, composed by weekly sessions spread across three or more months. These courses are organized in partnership with the other NGOs that founded FCP, who contribute with pedagogical material and technicians that participate as co-instructors. This strategy promotes collaboration between these organizations through the pooling of complementary methodologies and accumulated experiential knowledge. These courses use the Freirean popular education method to develop management skills among the participants, as well as promote the exchange of experiential knowledge gained by

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of promoting the creation of a grassroots economic network. This group is coordinated by the assistant of a PT-affiliated member of the state level Legislative Assembly.

them in their everyday activities as producers. Participants are thus encouraged to repeat this course several times, so as to receive sustained support from the part of other members of the network, as well as promote the sharing of experiences as their production unit develops.

Besides, Asplande also organizes courses on feminist economics and global political economy that follow the same format as those on management. For their organization, Asplande counts with the support of not only other NGOs participating in FCP, abut also AMB and the "*Articulação das Mulheres Negras Brasileiras"*[31]*.* These courses analyze the connection between capitalism, gender and race-based social and economic segregation and the commodification of women's bodies, sexuality and labor force. They make an historical analysis of the evolution of the modes of economic production and how they lead to the construction of political institutions, with a special emphasis on the contemporary neoliberal state and its relationship to multinational corporations, the financial system and international organizations such as the IMF and the World Bank. They also make a connection between economic and political dynamics at the transnational, national and local levels. Besides, they analyze and contest the boundaries between the "public" and the "private" sphere, showing how the two interpenetrate and reciprocally construct each other.

These courses give special attention to the way in which the subjectivity of women of color in Brazil is socially constructed, as the result of capitalist dependent development, to become an "other" that sustains the reproduction of the capitalist

[31] Translation: National Caucus of Black Brazilian Women.

economy, often through its segregation to the informal sector. They analyze and deconstruct the variety of social and economic mechanisms that relegate the majority of non-white women in Brazil to the provision of household services to middle- and upper-class families, either within the country or in the "Global North". They also analyze the commodification of the body and cultural identity of Afro-descendent women in Brazil by the tourism, advertisement and entertainment industries, therefore promoting a sexualized form of exploitation by transnational economic interests and creating significant barriers to social mobility. These courses present Solidarity Economy as a political alternative to an economic system that promotes the social segregation and commodificiation of women, particularly those of the popular classes and who embody a non-white identity. They present it not only as a strategy of "de-linking" from capitalism, through the reinforcement of everyday economic practices of survival and resistance based on reciprocity, but also as a possibility of structural transformation through the bottom-up construction of public policies and institutional channels of popular participation.

NWS was created by PACS in 1997 in the western periphery of Rio de Janeiro. This network promotes similar courses, in terms of format and content, to those organized by Asplande and its partners in the framework of CNWE. Those courses are co-organized by PACS, Asplande and other NGOs participating in FCP, with the support of the WMW. However, there are two major differences between the functioning and goals of CNWE and NWS: While the former includes participants from across the metropolitan area of Rio de Janeiro, the later counts only with the participation of members of production units located in the western suburban area

of Campo Grande and Jacarepaguá. Besides, NWS aims to go beyond the promotion of economic collaboration between participants, since its major goal is to promote the bottom-up construction of a Solidarity Economy-based development model for the region. It does that through a close collaboration with neighborhood associations in the area, to whom PACS has been providing technical assistance since the '80's. NWS was the basis for the creation in 2007 of the local-level Solidarity Economy forum of the Western Region of Rio de Janeiro, which is represented at FCP.

Conclusions

The experience of the Brazilian Solidarity Economy movement shows the risks of cooptation that grassroots participatory public spaces face when their engagement with the state is not preceded by the establishment of a horizontal network of collaborative ties between their participants. Chapter III showed that, as indicated by the process of introduction of Solidarity Economy policies within PT-led administrations, connections between civil society organizations and internal factions within a political party might curb oligarchical tendencies. That happens namely by promoting public policies that go against compromises established by core party leaderships with economic elites. This indicates that Lipset's (1956) theory on the democratizing effects of intermediary organizations is applicable to internally diverse social movement-based political parties, such as PT. However, this

chapter indicates that such connections have the downside of curbing the democratic potential of participatory "open spaces" created by the same civil society organizations that contribute to the containment of oligarchical tendencies within parties. That happens namely in circumstances, such as those of the Brazilian Solidarity Economy movement, in which the inclusion of grassroots open spaces in vertically integrated structures of representation is not preceded by the creation of a dense enough web of horizontal connections between participants, so as to offset attempts at elite cooptation.

The Solidarity Economy movement started out with an organizational format that could be classified as that of a "New Social Movement". In the '90's, it was a series of local-level forums, based on the "open space" model, that were horizontally connected through the network of NGOs that created RBSES in 2000. The purpose of this organizational format was to promote "connectivity" between the grassroots, identity-based and communal-oriented struggles of the "pooretariat", as well as between them and those of the working class. The ultimate goal would be to capitalize upon shared cultural codes and everyday practices of economic survival and resistance to create a common, proactive project identity for the Brazilian popular sector. From the late '90's onwards, the movement went through a phased process of transformation into what is hereby called an "institutionalized network movement". That happened through the integration of local-level "open space" forums into a national-level, vertically integrated structure of representative public spaces.

The integration of local-level Solidarity Economy forums into “verticalized” structures of relationship with the state created a tension between, on the one hand, the hierarchical and competitive logic of modern bureaucracy and electoral competition, and on the other hand the horizontal logic of grassroots “connectivity” that is typical of “open spaces”. Such process compromised the capacity of the Solidarity Economy forums to promote the emergence of a common project identity for participating movements and community organizations. It also restricted the ability of workers for autonomous participation within their structure. That happened because the establishment of vertical and individualized relationships between technical elites and their grassroots beneficiaries predominated over the formation of networks of collaboration between production units. From the point of view of workers in Rio de Janeiro, the establishment of national-level policies reinforced the power of NGOs as providers of technical assistance and mediators in the access to state-funded opportunities of commercialization. In Rio Grande do Sul, the existence of municipal and state-level policy programs for Solidarity Economy decreased the dependence of production units on civil society organizations in terms of access to technical assistance, credit and opportunities of commercialization. On the other hand, it increased their dependence upon the state, a fact that facilitated attempts at cooptation by party-based elites, with the purpose of aggregating a grassroots base of power for electoral competition.

The cooptation of the Solidarity Economy forums by the bureaucratic and competitive logic of policy-making in the modern state compromised their capacity to promote the movement’s goal of creating a common project identity for the

Brazilian popular sector. However, the Solidarity Economy movement has been facilitating the construction of grassroots alliances and new organizations that are creating parallel spaces of "connectivity" with the potential of fulfilling that goal. Among them are supply chain-based grassroots economic networks such as "*Justa Trama*", as well as "cooperative communities" such as "*Projeto Esperança/Cooesperança*" in Rio Grande do Sul and "parallel public spaces" such as CNWE and NWS in Rio de Janeiro. These spaces hold a substantial potential for direct democracy, as they foster the mobilization of different grassroots struggles, as well as direct collaboration between production units, with the purpose of promoting the bottom-up construction of a common, proactive project identity. The next chapters will analyze the role of these parallel institutional formations in the promotion of the autonomy and sustainability of production units, as well as of the autonomous participation of their members in the Solidarity Economy forums.

CHAPTER VI
Beyond quantitative growth:
Boosting the capacity of the Solidarity Economy movement to promote grassroots development and the emancipation of the "pooretariat"

Strengthening the institutional capacity of the movement to promote development

In previous chapters we looked at the nature of the economy of the Brazilian "pooretariat" and the organizational and theoretical apparatus that the Solidarity Economy movement has put together for dealing with the transformation of this economy. In chapters II, III and V, we looked at the oligarchic, democratic and self-organizing challenges to this goal of "pooretarian" emancipation as suggested by the theories of Robert Michels, Tocquevillean scholars of associational democracy and C.L.R. James. Before we can address the extent to which the Solidarity Economy movement has met these challenges we must examine more carefully the problem of growth within a "pooretarian" economy. Consequently, the primary focus of this chapter will be this problem of growth in the Brazilian "pooretarian" economy and the extent to which the Solidarity Economy movement has been successful in achieving this difficult but greatly desired outcome.

One of the distinctive marks of Solidarity Economy theory is the line that it has drawn between the working class and the "pooretariat", or what Marx called the lumpen proletariat. Marx linked the liberation of the latter to that of the former. In other words, in Marx, this stratum of workers did not have a liberatory/developmental project of its own. In contrast, the preceding chapters have tried to show that such a stratum-specific project of liberation/development is fundamental to the visions and strategies of the solidarity economy movement.

Within the frameworks of Western liberal capitalism or state capitalism, the theorists of this movement do not see the "pooretariat" rising on the strength of the organizations, programs and policies that have significantly improved the material well being of sectors of the working class. Consequently, a distinct set of organizations, programs and policies must be created and pursued for the emancipation of this stratum.

As we have seen in Chapter IV, the Brazilian pooretarian economy is an economy that has both rural and urban sectors. Within these sectors there are subsectors of individual farmers, artisans, cooperatives, and workers associations. These subsectors include practices of barter as well as the exchange of goods and services via money. The major productive activities of these sectors and subsectors include food, animal husbandry, cleaning services, construction, waste recycling and the recuperating of small factories that were abandoned by their capitalist owners.

The population of this economy has been fairly stable since the early 90's. It is composed mainly by: (1) upwardly mobile members of the "pooretariat" who left the "parallel economy" of informal street, farm or home-based vending as a result of institutional interventions of civil society organizations or the state; (2) downwardly mobile members of the working class whom, when affected by the perspective of unemployment, resorted either to factory occupations or to the creation of new workers' cooperatives or associations; (3) members of land rights settlements. As seen on Chapter I, there has been a tendency for decline, since the late 90's, in the percentage of the population working in the informal economy from 53.4% in 1999 to 47.5% in 2007, as well as in poverty and inequality indicators, as

the Gini coefficient has dropped from 0.60 in 1998 to 0.56 in 2007. Besides, there has been a decrease of the unemployment rate during Lula da Silva's second government from 9% in 2007 to 6.7% in 2010[1]. Moreover, by 2007, the total population of the Solidarity Economy movement was the equivalent to only 3.6% of the Brazilian population working within the informal economy.[2] Consequently, an exploding population is not a problem that the Brazilian "pooretarian" economy has to deal with. Further, the Solidarity Economy sector in Brazil is an embedded economy, one in which capital accumulation is not an end in itself but an activity that is constrained by a set of non-economic values that have been placed on economic activity. The key question that arises here is: how does one promote growth within this economic sector and by how much in order to achieve the goals of the Solidarity Economy movement.

First and very important for such a model of growth is that its expansions and productive increases must be consistent with the solidarity frameworks within which the Brazilian "pooretariat" have already embedded economic activity. Among this stratum of Brazilian society, economic activity has been shaped and constrained by norms of cooperation, trust, reciprocity, barter and community-based loyalties. Within this stratum, there are also racialized and excluded groups, such as

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[1] http://www.ibge.gov.br/home/estatistica/indicadores/trabalhoerendimento/pme_nova/defaulttab2.shtm (last consulted on 03/16/11).

[2] According to data published by SENAES, the total amount of associates in the Solidarity Economy sector was 1 687 035 in 2007. This amount represents 3.59% of the total of the economically active population in Brazil that dwelled in the informal economy during that year. According to data from the Brazilian Ministry of Social Welfare, the total of the economically active population in Brazil in 2007 was 98.8 million (http://www.anasps.org.br/imprimir_materia.php?id=2361). According to Menezes Filho & Scorzfave (2009), in the same year 47.5% of the economically active population, or a total of 46 930 000 individuals, operated within the informal economy.

"quilombola", indigenous and to a large extent shantytown communities, who have added their own norms of cooperation, sharing and collectivism to the values within which the "pooretarian" economy is embedded.

It is within the horizons and normative constraints of this embedding framework of values that new levels of growth must be set and achieved. At the time of fieldwork, the average income of members of the Brazilian pooretariat was approximately U.S.$0.50 per day.[3] Thus in my estimation, to move this group above the Brazilian poverty line, to get them to a position where their material existence is in line with the human expectations of their values of solidarity, at least a six-fold increase in the material output of this economy will be required, taking into account that, in 2007, the national poverty threshold was U.S.$.3.00 per day.[4]

To achieve this desired increase in output within the normative and institutional framework proposed by the Solidarity Economy movement, there must

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[3] In Rio de Janeiro, the aggregate revenue in 2007 was R$23 125 071.7, or $11 927 104.9. When divided by the total 1 343 production units and 64 846 associated workers, it indicates that each unit produced an average $8 880 in that year, and that each worker gained an average of $183.93 per year in revenue, or $0.5 a day. The aggregate revenue of the Solidarity Economy sector in Rio Grande do Sul in 2007 was R$139 888 167.4, or $72 149 434.6. This means that the average yearly revenue per unit[3] was $34 604 and that the average yearly income per participating worker was $197, or $0.5 per day. This data shows that, in 2007, the Solidarity Economy sector in Brazil was producing only one-sixth of the revenue necessary to provide associated workers with an income above the national poverty line, and about one twelfth of that necessary for them to earn at least one minimum monthly wage.

[4] Such amount was roughly the equivalent to the national minimum monthly wage for 2007 (R$380), which equates $195.9 a month or $6.4 a day. The data contained in Table I (included in Annex I) helps to diagnose the current capability of Solidarity Economy programs in Brazil to generate wealth, as well as estimate the increases in productivity that are necessary to lift participating workers above the national poverty line, which was $3 in 2009 (Ravaillon, 2009: 15). As already referred on Chapter V, the national aggregate revenue for Solidarity Economy in 2007 was R$7 863 353 393.4, or $4 055 643 249.3 (The average exchange rate between the USD ($) and the Brazilian Real (R$) in 2007 was 0.5157651). By dividing that amount by the total of Solidarity Economy production units identified at the national level (21 859), one gets an average annual revenue per unit of $185 536.5. When divided by the national total of associated workers, which in 2007 was 1 687 035, it indicates that the average annual income per worker was $2 404, or $6.5 a day.

be participatory, but careful scientific planning by committees consisting of members of production units with voting power, supported by technicians from civil society organizations that would have a consultative function. These committees should be set up within the Solidarity Economy forums and be given the mandate to create, outline and coordinate the various parts of a multi-dimensional growth strategy.

First, these planning committees must identify significant areas of inter-sectoral linkages so that new supply and demand relations can be established and existing ones deepened. For example, productive linkages could be established or deepened between handicraft or clothing manufacturers and agricultural producers or recyclable waste collectors. If such linkages are not enough to meet the growth target, then the planning committee must decide on what new industries they could introduce that would increase "connectivity" in this economy. In addition to increasing horizontal linkages such as these, the committee will also have to consider expanding and deepening the vertical linkages of the economy. These would include relations between community- or neighborhood-based production units, municipal-, state- and national-level forums, as well as government departments. In short, existing enclaves of isolated economic activity must be integrated on an input-output model to form a larger economic whole with a higher division of labor.

The second measure that the planning committee must undertake to reach its growth target would be various measures to increase the productivity of labor. In this regard, two strategies would be appropriate for the Brazilian "pooretarian"

economy. First, easily accessible technical assistance in the areas of productive operations such as the best ways to present or to transport finished products. Needless to say this kind of advice is vital to the survival of small businesses. The second important strategy in relation to technical assistance is the more long term one of introducing where necessary "intermediate", labor-intensive technologies. These technologies should have as their goal the increasing of the productivity of labor and also of its employment.

The third element of an appropriate growth model for the Brazilian pooretarian economy would be the facilitating of small business initiatives by aiding entrepreneurial individuals. In particular, the planning committee must come up with policy measures that would reduce some of the risks and lower the cost of starting a small business. Here support services such as advice on market conditions, small business management, supportive legal frameworks, collective building of infrastructure (e.g. business stalls), and collective purchasing of basic inputs to reduce cost prices. The technicians participating in the planning committees of the Solidarity Economy forums should be responsible for providing those support services. An empowered and thriving small business sector would certainly help to increase output. Besides, the Solidarity Economy movement should also promote laws aimed at guaranteeing a social safety net for workers affiliated to Solidarity Economy production units.

A fourth element of an effective growth model would of course be its financing component. The "pooretariat" is usually a "red-lined" social group, meaning one that has difficulties in access regular banking services, due to the fact

that many of its members have low or negative credit scores. However, businesses cannot function properly without access to credit, insurance or other forms of financing that can support production, commercialization and investment. In order to properly cover the needs of the "pooretarian" economy, it is necessary to create financial services that can cater to both formal and informal cooperatives, workers' associations and other types of production units. At the time of fieldwork, SENAES, as well as several municipalities across Brazil, were implementing community-based microcredit programs based on the model developed by "*Banco Palmas*". However, in order to create the right guarantees for economic activity within the sector, it is necessary to complement those credit-based programs with subsidies and forms of insurance specifically designed to cover the financial and environmental risks faced by Solidarity Economy production units.

Even with the above four elements of our model in place, it would still be difficult to imagine a six-fold increase in the productivity of the "pooretarian economy" of Brazil. Given the level of incomes within it, the purchasing of the increased volume of goods and services would be a problem. This leads to question of expanding markets within the economy as well as seeking "external" markets both nationally and abroad. Knowledge of potential markets in all three areas is vital information that the planning committee must acquire and be ready to act upon.

With these five crucial elements our growth model is almost complete. However, two additional elements need to be considered: education and relations with the state. Precisely because we are undertaking the growth of an embedded "pooretarian" economy, education becomes extremely important. This education

must empower "pooretarian" workers both technically (at the economic and political levels) and subjectively. This is a stratum that has been devalued, demeaned and often excluded from institutions of secondary and tertiary learning. Thus their educational needs will require pedagogical strategies that will help to overcome these "hidden injuries" of class, race and gender. Furthermore, such pedagogical strategies should allow "pooretarians" to discuss their values of solidarity and what to do when they conflict with the demands and logic of this program of expanded growth.

Finally, we saw in previous chapters that PT-led administrations, and particularly that led by former President Lula da Silva, developed important ties between Solidarity Economy production units and the state, mediated by civil society organizations participating in the movement. Still, the impact of legal frameworks set by governments for doing business in specific areas can greatly affect the outcomes of institutional support. Besides, the policies pursued by governments in areas such as infrastructure growth and upkeep can greatly facilitate or hinder the economic activity of "pooretarian" production units. Besides, loan and other financial programs organized by governments, labor policies and many other proactive steps that governments often take can very easily help or hinder the goal of a six-fold increase in the productivity of the economy of the Brazilian "pooretariat". Therefore, when revising and working out the vertical relations of this economy it is vital for the planning committee to think carefully about what government policies, in parallel to those specifically set up for the Solidarity Economy sector, will further or hinder its goals.

In my view, it is only with an integrated multi-dimensional growth model of this type that the Brazilian Solidarity Economy movement will be able to achieve its goal of helping to uplift the citizens of the Brazilian "pooretariat". Because of its multi-dimensional nature, the implementation of this model will have to be carefully coordinated so that needed sequences can be realized. In the remainder of this chapter, I will examine the developmental outcomes of specific growth oriented programs that the Solidarity Economy movement has undertaken. I will also use the above model to gauge how far along they are on their way in terms of promoting productivity, growth and socio-economic development, as well as use the analysis of their strengths and limitations to make concrete proposals for the operationalization of the model.

The contribution of supply chains and "cooperative communities"

In order to develop a strategy aimed at strengthening the institutional capacity of the Solidarity Economy movement to promote productivity and growth, it is useful to analyze the achievements and limitations of projects that succeeded in that goal by promoting some of the conditions stated above. Among them are "*Justa Trama*", "*Projeto Esperança/Cooesperança*" and "*Banco Palmas*".[5] As seen in previous chapters, "*Justa Trama*" is a prominent example of a trans-local supply chain-based economic network, while "*Projeto Esperança/Cooesperança*" and "*Banco Palmas*" are local-level projects that represent what Melnyk (1985) calls

[5] It was not possible to obtain quantitative data on their economic outcomes. Still the qualitative evidence collected in project reports, as well as in interviews with project coordinators, permitted an analysis of the role of institutional structures in the promotion of productivity.

"cooperative communities". These two projects created local-level Solidarity Economy forums that successfully supported their goal of promoting "connectivity" among associated production units.[6] In that sense, they can be considered exceptions within the movement, as most of the Solidarity Economy forums lacked the structural grounding provided by the previous existence of "cooperative communities". [7]

Several sources within the movement (including officials at SENAES) indicated that these projects are among the few that succeeded in providing workers with a regular monthly income of the minimum wage or above. That happened because they promoted economies of scale that boosted productivity among participating production units and increased the amount of disposable income available within the communities in which they are embedded. Still, their gross impact on development goes beyond income generation, as they show that it is possible to promote value creation and economic growth in a way that empowers the "pooretariat", instead of furthering its economic exclusion. Besides, their overall contribution to the promotion of food security, public infrastructures and promotion of political participation shows that, depending on the strategy adopted,

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[6] Chapter IV contains an analysis of the concept of "connectivity" and how it relates to the establishment of networks of collaboration between production units in the form of supply chains and "cooperative communities".

[7] As seen on Chapter IV, although the state-level forum of Rio de Janeiro (FCP) tried to develop a "cooperative community" among its participants, this goal was postponed by the focus on national-level articulations after the creation of FBES and SENAES.

growth can also be conducive to political empowerment and the improvement of the quality of life of previously excluded populations.

Promoting linkages within and across sub-sectors of Solidarity Economy

"Justa Trama"

The data collected during fieldwork indicates that "*Justa Trama*" was, among the three projects analyzed in this chapter, that which managed to achieve the highest increases in productivity. It produced about one-third of the 150 000 bags distributed to registered participants of the 2009 World Social Forum. It also produced the totality of the order of 60 000 bags for participants in the 1st World Forum of Solidarity Economy (WSFE) and 10th anniversary of the World Social Forum (WSF), which took place in Santa Maria and Porto Alegre in January 2010. The information available indicates that no other production units in the Solidarity Economy movement were able to produce at such a scale. [8]

One of the assets that most contributed to the degree of productivity achieved by "*Justa Trama*" was the establishment of commercial linkages between urban and rural sector cooperatives. As seen in previous chapters, such linkages decrease costs in the access to raw and semi-transformed material by eliminating middlemen. At the same time, they guarantee the commercialization of rural products and promote a transfer of resources between cooperatives, in the form of

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[8] Cláudia's cooperative in Rio de Janeiro (see Chapter V for more information) also contributed to this order with several thousands of bags. However, it had to acquire the fabric from capitalist enterprises, as it is not integrated in a supply chain that could provide it with raw and semi-transformed material from other Solidarity Economy production units. Besides, it did not have the "intermediate technology" that allowed "*Justa Trama*" to produce in a large scale.

forward purchases, leading to substantial increases in production. These linkages are managed through the collective coordination of needs and goals by participating production units, with the technical support of UNISOL.

The experience of "*Justa Trama*" is indicative of the importance of the first element of the growth-inducing model proposed in this chapter, which refers to the establishment of trans-sectoral linkages. In order to boost productivity and lift its associates out of poverty, the movement, in collaboration with the state, must promote institutional incentives for the multiplication of supply chain-based networks of economic collaboration that connect different sub-sectors of Solidarity Economy. That can happen both through the multiplication of networks that, like "*Justa Trama*", connect agricultural and manufacturing producers. A similar model can be applied to the creation of supply chains connecting recyclable waste collectors to manufacturers.

As seen in the case of "*Justa Trama*", connecting producers of raw and semi-transformed materials with manufacturers promotes economies of scale that increase productivity and revenue among all the production units involved. Among rural producers of raw material, it promotes productive specialization, therefore decreasing expenses and increasing the output per units of labor, capital goods and production materials involved in the production of raw and semi-transformed goods. It is to be expected that the creation of supply chains connecting recyclable waste collectors and manufacturers will have similar effects, as it will provide collectors with incentives to specialize in the handling of specific types of material. Such incentives will not only reduce costs and increase the output of specific

materials, but also promote the introduction of methods and technologies for handling recyclable materials that increase the quality of the goods sold to other production units in the supply chain.

In their turn, manufacturing production units have access to guaranteed sources of raw and semi-transformed material at lower prices than those they would get by resorting to middlemen. As a result, they will be able to produce manufactured goods with lower costs and at a lower price per unit, therefore increasing their capacity to penetrate the market both within and beyond the Solidarity Economy sector.

"Banco Palmas" and "Esperança/Cooesperanca"

As seen in previous chapters, the key poverty-reduction strategy adopted by "*Banco Palmas*" and "*Esperança/Cooesperança*" was to foster the re-localization of production, commercialization and consumption of first-necessity goods to the community level. This process was prompted by the establishment of microcredit systems based on "rotational funds", complemented by local-level commercialization venues such as community-controlled markets and shops. In both projects, the re-localization of economic activities was supported by the mobilization of the community into local-level participatory public spaces of decision-making, set up for the planning and implementation of community development programs. However, there are fundamental differences between the two projects.

In "*Banco Palmas*", there is a clear goal of creating a local economy by matching needs with production through scientifically based economic planning. Among other measures, such planning promotes the creation of businesses specifically aimed at producing goods that are identified as of immediate necessity to the community, as well as feasible for local-level production. The community-controlled credit system promoted by "*Banco Palmas*" financed production and consumption at lower interest rates than those imposed by mainstream banks (Neto Segundo & Magalhães, 2008: 40-3). According to the coordinator of the project, such credit system managed to increase the purchasing power of most participating households to one minimum wage per month or above.

The community-based fairs and shops also gave a significant contribution to such improvements. However, the effects of the program were limited by the fact that most of the products made locally are handicraft goods that do not have immediate utility to the local population, given their mainly decorative value (Op. cit.: 58). Besides, local producers of agricultural products and foodstuffs that produced enough to commercialize only resorted to community-level shops and fairs as secondary venues of commercialization, so as to get a complement to the income gained from direct sales to mediators or supermarkets.

Although "*Banco Palmas*" has been promoting the local production at market prices of other first necessity goods, namely household and personal hygiene products, beneficiaries still prefer to obtain them from supermarkets. According to the coordinator of the project, that happens due to the influence of advertising, which promotes the idea that mainstream brands guarantee better quality that local

artisanal production. This respondent[9] claims that the prevalence of this attitude, despite campaigns to promote the purchase of locally produced goods, shows that changing consumption habits is a medium- to long-term process, marked by the difficulties involved in "demystifying" corporate advertising. Despite these difficulties, at the time of fieldwork the project was still lacking its own marketing-based strategy to deal with external competition against locally produced goods. This shows that one of the challenges that planning committees within Solidarity Economy forums will have to deal with is how to develop forms of marketing products that are compatible with the values of the movement but at the same time increase their ability to compete with the highly marketed products from the mainstream economy.

As previously referred, among the foundations of "*Banco Palmas*" were education campaigns, directed at the inhabitants of "*Conjunto Palmeiras*", on the economic and social benefits of consuming locally produced products. These campaigns were based on Freirean methods of popular socio-political education. As seen in previous chapters, they proved to be useful in promoting mobilization to the project, namely by developing a normative sense of the advantages of local production and consumption. Therefore, planning committees within Solidarity Economy forums should promote similar campaigns in the first steps of the implementation of the growth model proposed in this chapter, with the purpose of promoting grassroots mobilization. However, in order to improve the effectiveness of these campaigns, planning committees should design them in a way that would

[9] Interview carried out in "Conjunto Palmeiras", Fortaleza, Ceará, on 11/19/08.

combine the normative aspect that characterized those carried out by "*Banco Palmas*" with technical training on how to market locally produced goods in a way that promotes their attractiveness vis-à-vis those produced within the mainstream economy.

By the time of fieldwork, "*Banco Palmas*" hasn't yet achieved the goal of integrating production units in community-level supply chains. That happened because of the limited resources available within the suburban economy of "*Conjunto Palmeiras*", which made it difficult, for example, to find adequate agricultural producers to connect with manufacturers of food, clothing and decorative handicraft products. Besides, the generally low level of literacy among beneficiaries created barriers to the introduction of new products and techniques of production (Neto Segundo & Magalhães, 2008: 81-3). This indicates that, in order to be truly effective, growth-inducing strategies for Solidarity Economy must promote a linkage between technical training, socio-political popular education and initiatives aimed at improving the literacy levels of the "pooretariat".

As seen on Chapter III, by the time of fieldwork SENAES was working with the Ministry of Education and Culture on the articulation of initiatives of professional qualification for workers of the Solidarity Economy sector with the promotion of literacy and life-long education. [10] In order to fit with the movement's goal of promoting a bottom-up model of development, the resulting policy must be managed at the grassroots level by Solidarity Economy forum-based planning

[10] http://www.mte.gov.br/ecosolidaria/prog_formacao_eja.asp

committees. The planning committees must back the local-level implementation of this policy with participatory action research initiatives aimed at assessing the educational needs of the local population. The purpose of those research initiatives shall be to support the design and implementation of strategies tailored to the educational needs of local communities. In designing strategies for the local-level implementation of education policy programs, planning committees must take into account not only how they will contribute to improving levels of literacy, but also how they will increase the income level of participating workers by: (1) increasing the productivity of their production units, as well as the quality of their output; (2) promoting the consumption of local products within the community by developing efficient marketing strategies.

Of the initiatives carried out by "*Banco Palmas*", that which most contributed to boosting growth within "*Conjunto Palmeiras*" was the collectivization of infrastructural aspects of production and consumption, which promoted economies of scale that substantially reduced costs and increased the income available for consumption and investment. That included the creation of public spaces that units could use as a space of production, as well as collectively managed shops and fairs. Besides, "*Banco Palmas*" managed to integrate a significant amount of its beneficiary production units and households in a system of collective purchase of goods from outside providers. This system included the purchase of raw and semi-transformed goods for community-based production units, as well as of household items for participating families. Through collective bargaining with corporate providers, the beneficiaries of "*Banco Palmas*" managed to significantly reduce the prices of

production materials and household goods. The benefits brought by this strategy in "*Banco Palmas*" indicates that planning committees, when designing and implementing a growth-inducing model, should promote the collectivization of spaces of production and commercialization, as well as the purchase of materials for production and private consumption.

"*Esperança/Cooesperança*" didn't resort, at the time of fieldwork, to scientifically based economic planning to match demand and supply among its participants. Besides, it didn't have in its plans the creation of supply chains, with the purpose of boosting productivity. That happens because the focus of this project was on enhancing the productive capacity of previously existing production units, as well as supporting the creation of new ones. It does that by responding to the needs of beneficiaries through the promotion of local-level commercialization, as well as the diffusion of the knowledge and skills necessary for improving productivity. Still, many beneficiaries regarded the commercialization that takes place at "*Centro de Referência Dom Ivo Lorscheider*", as well as in the shops created by the project, as not being enough to create the revenue necessary for their economic survival. As a result, they end up regarding it as a complement to commercialization in venues within the mainstream economy. The experience of Rafael[11], coordinator of a workers' association that manufactures casual clothing and uniforms, is an illustration of such relationship:

> "*When we started we were dependent upon the project [Esperança/Cooesperança], and even nowadays there are groups that for commercialization or purchase of materials have to ask [name of the*

[11] Interview carried out in Santa Maria on 06/05/09.

> *coordinator of the project withdrawn]. (…) We participate in the project, but we search for training and opportunities of commercialization on our own. (…) Nowadays we hardly sell within the project, it's far more useful to search for opportunities of commercialization outside than to stay in the "Centro de Referência" selling clothes. (…) We buy raw material from factories outside the project and transform it into clothing items like tracksuits and T-shirts. 90% of our sales go to gross sellers. We also produce work clothes for events. The remains, which are very small, we sell them in the fairs. (…) We don't sell to department stores because we would have to lower our prices. We sell to schools, universities, we work in partnership with printing factories*."

This difficulty in obtaining a livable income through local-level commercialization is one of the fundamental problems that planning committees within the Solidarity Economy forums will have to respond to. That should happen through the adoption of methodologies of economic planning that not only promote efficiency and competitiveness among production units, but also improve the marketability of their products through adequate marketing strategies, as well as the establishment of commercial linkages within and beyond the Solidarity Economy sector. Prof. José Fernandes, faculty member of "*Universidade Federal de Santa Maria*"[12] (UFSM), hinted at the necessity of a strategy of this kind in his evaluation of the performance of "*Esperança/Cooesperança*". This scholar claims that the project will only be able to promote overall improvements in productivity if it adopts participatory but scientifically based methodologies of economic planning that include the creation of supply chains that connect rural and urban participants and promote the commercialization of local products beyond the community level (quoted in Icaza & de Freitas, 2006: 126-7).

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[12] Translation: Federal University of Santa Maria.

At the time of fieldwork, the main beneficiaries of the initiatives promoted by "*Esperança/Cooesperança*" were agricultural producers, which managed to achieve levels of productivity that provided them with regular monthly incomes above the minimum wage. The same didn't happen to most of the manufacturing production units participating in the project. Besides, the project also promoted the economic inclusion of minority populations that were previously excluded from the market, namely indigenous and "*quilombola*" communities, as well as handicapped people. These populations joined urban participants in the production and commercialization of handicraft, which didn't manage to provide any of these producers with a regular income of one minimum wage or above.

The benefits for agricultural production units were mainly the outcome of the Solidarity Economy fairs at *"Centro de Referência Dom Ivo Lorscheider*", which became the main venue of commercialization for the majority of producers in the region. Such fairs reduced the dependence of agricultural producers on intermediaries, therefore allowing them to sell their products directly to consumers at market prices. As seen in previous chapters, the fairs at *"Centro de Referência"* also became venues of commercialization for handicraft products. That fact promoted increases in revenue and household income among artisans in the region. However, the most significant benefits for artisans were those brought by the creation of "*Casa Arte da Inclusão*"[13]. This venue was specifically created for the commercialization of handicraft products made by artisans in indigenous and quilombola communities, as well as members of other ethnicities that had physical

[13] Translation: "The House of Art for Inclusion".

or mental handicaps. Still, the revenue and income generation capacity of handicraft units was restricted not only by their limited immediate utility of their products, but also by the fact that most of them were informal. Such characteristic restricted opportunities of commercialization to the venues provided by "*Esperança/Cooesperança*".

In order to boost the productivity of urban manufacturing production units, as well as the marketability of their products, planning committees should promote, in partnership with the state, strategies aimed at promoting the integration of artisan groups in supply chain, so as to promote productive specialization and the increase in the added value of products. Besides, those supply chains should be encouraged to produce goods that are of immediate utility to low-income consumers, so as to increase their marketability within and beyond the "pooretariat". The municipal-level Solidarity Economy law of Santa Maria, approved in 2008, can serve as a template for future public policy programs in other municipalities. [14] According to the assistant mayor of Santa Maria[15], this law has the potential of boosting the artisan sector within "*Esperança/Cooesperança*" by facilitating the formalization of handicraft production units and integrating them within supply chains that connect the rural and urban sector.

[14] Chapter III contains further information about this law.
[15] Interview carried out in Santa Maria on 04/06/09.

Promoting commercial linkages beyond the Solidarity Economy sector

"*Justa Trama*", "*Banco Palmas*" and "*Esperança/Cooesperança*" all promoted commercial linkages beyond the Solidarity Economy sector, although of a different nature and intensity. Still, comparing the data collected on these three projects indicates that "Justa Trama" is, among them, the one that gained the most from its commercialization strategy. As seen in previous chapters, "*Justa Trama*" resorted to the national network of shops created by UNISOL to commercialize its products to the larger public within Brazil. Besides, it registered its products in national and international fair trade certifications, therefore expanding its commercial reach both in physical spaces as well as in online catalogues.

"*Banco Palmas*" also resorted to shops and fairs to make the goods produced by its beneficiaries available to the larger public. Besides, it resorted to the certification of those goods with a locally created brand, so as to make them more attractive to the larger public by associating them symbolically with the goals of the project. However, such strategy was limited by the fact that it restricted the commercialization of those products to "*Conjunto Palmeiras*". It didn't include the establishment of commercial linkages beyond the neighborhood, namely by placing locally produced goods in shops or websites with a regional, national or international reach. As a result, the only consumers from outside the neighborhood that had access to its products were those that dislocated themselves either to "*Conjunto Palmeiras*" or to the SENAES-sponsored Solidarity Economy fairs that beneficiaries of "*Banco Palmas*" take part in. Besides, the certification system created by "*Banco Palmas*" is not recognized by any of the national or international

systems. Therefore, it does not support the commercialization of its products beyond the geographical boundaries of the project.

In order to properly assess the success of "*Banco Palmas*"' local-level commercialization strategy, it is necessary to understand the impact of the coexistence between the mainstream and the community currency on the functioning of the project. Does the purchase of locally produced goods by outside consumers using the mainstream currency undermine the value of the community-based one? How does it impact the prices of local products, and consequently on the revenue of production units and the income of their associates? When drafting economic programs that include community-based "alternative" currencies, planning committees must define strategies to deal with the coexistence between the local-level and mainstream currency, resulting from the purchase of local products by consumers from outside the community.

The fairs and shops created by "*Esperança/Cooesperança*" succeeded in attracting consumers from outside the Solidarity Economy sector. By observing two weekly fairs, as well as two international fairs organized at "*Centro de Referência*", I noticed that most of the consumers present in its premises were middle-class consumers from across the state of Rio Grande do Sul. These consumers came to the fairs mainly with the perspective of buying organic agricultural goods and regional foodstuffs, which are known across the state for their quality. Still, as previously referred, the project lacked a strategy for the commercialization of locally produced goods beyond Santa Maria. When interviewed for the report written by Icaza & de Freitas (2006), Prof. José Fernandes claimed that the scientifically based economic

planning that he suggests for "*Esperança/Cooesperança*" must include the introduction of nationally and internationally recognized systems of certification, so as to promote their commercialization to the larger public beyond the municipality of Santa Maria (p. 126-7).

As referred on Chapter III, at the time of fieldwork SENAES was developing, in partnership with "*Instituto Marista de Solidariedade*" (IMS), a National System of Fair and Solidarity-based Trade based on a national-level certification system, as well as a set of norms and monitoring mechanisms for its implementation. It would be important for future Solidarity Economy forum-based planning committees to guarantee that they will be in charge of those monitoring mechanisms, so as to promote the control of the certification system by the production units that take part in them. The worker-controlled body of technicians taking part in the planning committees would play the role of an instance of control of possible irregularities in the allocation of certifications.

Combining horizontal and vertical linkages through scientific planning

The previous analysis indicates that there is a complementarity between the strengths and limits of trans-local supply chain-based networks and "cooperative communities". The integration of these two approaches to economic collaboration into a single strategy has the potential of boosting productivity and development by capitalizing upon their strengths and offsetting their weaknesses. As seen in the case of "*Banco Palmas*", the developmental impact of cooperative communities can be limited by the lack of external commercial linkages, including rural/urban

connections. Despite the efforts of "*Banco Palmas*" to promote local-level economic production, "*Justa Trama*" and "*Esperança/Cooesperança*" had significantly better results in terms of the promotion of food security. That happened because "*Conjunto Palmeiras*" didn't have the resources needed to produce agricultural products at the scale necessary to promote food security within the community. Integrating "cooperative communities" with trans-local supply chains like "*Justa Trama*", which are based on the transfer of resources between rural and urban production units, can help offset that limitation. These networks can also promote the access to the know-how and technology needed for scientifically based economic planning, productive specialization and improvement of the productivity of manufacturing production units. On the other hand, the developmental impact of trans-local supply chain-based networks is limited by the lack of institutional structures for coordinating the interests of participating production units with those of the communities in which they are embedded. Promoting scientifically based economic planning among local-level Solidarity Economy forums has the potential of promoting such coordination of interests between associates of trans-local supply chains and their communities. Besides, "cooperative communities" also have the institutional structures that are necessary for the political socialization of populations that were previously excluded. On the other hand, engaging state- and national-level Solidarity Economy forums in the management of trans-local supply chains has the potential of promoting the coordination of economic goals and wealth creation beyond the local level.

Institutionally supported access to "intermediate technologies"

At the time of fieldwork, the Solidarity Economy movement lacked a common strategy for promoting the adoption of productivity-boosting "intermediate technologies" (Schumacher, 1973) among its associates. Still, there were individual projects that actively promoted the adoption of such technologies by promoting the access to the know-how, funding and material necessary for their implementation. Among them were "*Justa Trama*", "*Banco Palmas*" and "*Esperança/Cooesperança*". Still, "*Justa Trama*" was the most successful among them, since the integration of production units in a supply chain and the goal of producing first necessity goods on a large scale promoted the adoption of "intermediate" productivity-boosting technologies equally among its urban and rural associates. In "*Banco Palmas*" and "*Esperança/Cooesperança*", there was an imbalance in the adoption of "intermediate technologies" between rural and urban participants. In "*Banco Palmas*", such imbalance was mainly due to the lack of the right infrastructural conditions, within "*Conjunto Palmeiras*", to justify the introduction of such technologies. In "*Esperança/Cooesperança*", the imbalance was mainly due to symbolic and strategic frames that focused on "local" knowledge of implicitly regarded non-native technologies as a source of alienation. As a result, urban manufacturing units within "*Esperança/Cooesperança*" lacked incentives for the adoption of productivity-boosting techniques and ended up relying on artisanal techniques that prevented them from improving the quantity and quality of production to the level needed to provide their associates with a livable income. On the other hand, the diffusion of

knowledge on native techniques of organic agriculture significantly improved the productivity of rural producers.

"Justa Trama"

One of the biggest advantages of "*Justa Trama*" is the fact that it has access, via UNISOL, to a source of credit (ECOSOL), as well as a team of technology consultants, which are funded and institutionally controlled by representatives of workers of the Solidarity Economy sector. These two assets promoted the adoption, by both rural and urban participants of productivity-boosting "intermediate technologies", as well as the training of associated workers in a way that facilitated their efficient use. Although participating cooperatives and their associates sometimes participate in courses offered by SEBRAE, most of their technical training takes place within the workplace. It takes the form of workshops organized of technicians sent by UNISOL, as well as of peer-to-peer training in the everyday functioning of the cooperatives.

"*Justa Trama*" promoted the use of "intermediate technologies" in both its rural and urban associated cooperatives. The organic methods of agricultural production adopted by COOPERTEXTIL fits Schumacher's description in the sense that: (1) they promote productivity by reducing the incidence of plagues and guaranteeing the long-term fertility of the soil; (2) they lead to the saving of capital that otherwise would be invested in chemical pesticides; (3) they are labor-intensive, in the sense that soil fertilization and plague control through the use of

organic techniques requires more human supervision than that using chemical pesticides.

From a conversation with a coordinator of "*Cooperativa Açai*"[16], I understood that this cooperative resorts to "intermediate", labor-intensive technologies in the sense that the associates resort to small, human-operated machines to cut them according to pre-defined molds and guarantee the integrity that is necessary in the seed for making buttons an jewelry. "*Cooperativa Fio Nobre*", COOPSTILUS and UNIVENS follow a similar pattern of technology adoption. Instead of resorting to artisanal methods or mass-production machinery for spinning, weaving and sewing, these cooperatives obtained individual electrically operated spinning and sewing machines. With this strategy, they managed to improve their overall productivity without making any worker redundant or de-skilling them through over-specialization. As a result, they guaranteed that each worker would be fully involved in all the tasks related with the phase of production their production unit participates in (i.e. spinning, weaving, cutting and sewing). By using humanly operated electrical machines, they capitalized upon the workers' technical skills and avoided incurring in very high expenses or resorting to highly specialized engineering expertise to operate the machinery.

[16] The conversation took place during the 2009 World Social Forum, which took place in the city of Belém, state of Pará, Brazil on the last week of January of that year.

“Banco Palmas” and “Esperança/Cooesperança”

At the contrary of “*Justa Trama*”, “*Banco Palmas*” and “*Esperança/Cooesperança*” didn’t manage to introduce “intermediate technologies” across the rural and urban sectors in a balanced manner. In “*Banco Palmas*”, such lack of balance is in part the result of the limitations the project faced in promoting urban agriculture, given the limited availability of fertile soil in adequate locations within “*Conjunto Palmeiras*”. As a result, the techniques used in agricultural production within the neighborhood remained rudimentary and often relied on pesticides and artificial fertilizers, therefore increasing costs and decreasing the quality of production. In order to support manufacturing within “*Conjunto Palmeiras*”, “*Banco Palmas*” created PALMATECH, a technical training center and “incubator” of worker-owned production units. The purpose of this school is to train workers on the production or recycling of goods deemed of immediate necessity to the inhabitants of the neighborhood. This school introduced in “*Conjunto Palmeiras*” the knowledge and the intermediate technology necessary to produce, among other goods, cleaning products, recycle cooking oil and a clothing line called “*PalmaFashion*”, made out of recycled fabric. Besides, PALMATECH also promoted the introduction among artisans of labor-intensive machinery aimed at improving the quality of decorative handicraft products. In order to promote worker control of PALMATECH, the coordinators of “*Banco Palmas*” have been training some beneficiaries to assume the role of popular educators and technical trainers. However, the generally low level of literacy among beneficiaries made it difficult for

them not only to assume these roles, but also to adequately absorb new "intermediate technologies" (Neto Segundo & Magalhães, 2008: 82-7).

In "*Esperança/Cooesperança*", the most significant introduction of "intermediate technologies" happened among rural producers, in the form of the diffusion of strategies of organic production. As seen in previous chapters, that happened with the support of land rights social movements, namely the Landless Workers' Movements (MST) and the Movement of Small Agricultural Producers (MPA), which have also been active in the promotion of agro-ecology. As in the case of COOPERTEXTIL, such technologies contributed to reduce costs associated with fertilization and pest control, protect the fertility of the soil and increase employment and income generation within participating production units. Urban manufacturing units participating in "*Esperança/Cooesperança*" benefitted significantly less from the introduction of "intermediate technologies" than their rural counterparts. With few exceptions, such as the workers' association coordinated by Rafael, most manufacturing production units that participate in the project were at the time of fieldwork doing handmade decorative products. At the contrary of their rural counterparts, those units had low productivity and were not able to provide a regular income to their associates, since it was difficult to commercialize their products.

The disparity in the adoption of "intermediate technologies" by rural and urban participants of "*Esperança/Cooesperança*" was partially due to the fact that the project was influenced by the perspective, shared by *Cáritas* and many other Catholic activist NGOs, that grassroots-led development should rely up and foremost

on the "local" knowledge of beneficiaries. According to this perspective, the introduction of technologies and forms of production not "native" to participating communities risks deepening their alienation.[17] The coordinator of "*Esperança/Cooesperança*"[18] claims that the project was constructed on the perspective that it is possible to build a viable Solidarity-based economy by capitalizing upon the "local" knowledge and technology of populations living at the margin of capitalism. The respondent argues that, by building networks of collaboration among these social groups, it will be possible to create the wealth necessary to get them out of poverty without having to resort to "non-local" technologies.[19] This perspective reflected itself in the form of technical training offered to beneficiaries. The project facilitated the organization of productivity-inducing organic farming skills sharing workshops by members of the MST and the MPA, often with the support of local agronomists employed by *Cáritas* who are specialists in this field. The technical training offered to urban manufacturing units was less sophisticated, as it consisted in the sharing of skills on labor-intensive

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[17] A technician from a Rio de Janeiro-based NGO (interview carried out in Rio de Janeiro on 08/01/09) illustrated this perspective by claiming that

> "*The purpose it to allow workers to work in a way that allows them to use their creativity and their knowledge. It is that productivity-inducing technology, that obsession with productivity, which is leading so many of them to unemployment or under-employment. It is also that technology which is robbing them of their knowledge and forcing them to work in dull, repetitive jobs where they get de-skilled, where they are imposed a certain kind of knowledge and a way of working that is not theirs. We don't want to reproduce that in Solidarity Economy. We want to break their alienation. (...) Solidarity Economy is not about productivity, it is about working together (...).*"

This perspective is based on a rejection of technologies of mass production. However, it often ended up being interpreted in a way that promoted a resistance to any kind of technology that is not "tacit" or "local".

[18] Interview carries out in Santa Maria, Rio Grande do Sul, 04/06/09.

[19] That is the perspective defended by Albert Tevoedjre's (1982) "*Pauvreté, la Richesse des Peuples*" ("Poverty, the Wealth of Nations"), which inspired the creation of "*Esperança/Cooesperança*".

handicraft techniques, as well as cooperative management courses based on socio-political popular education. The reliance on "tacit" knowledge and technology alone had positive results among rural participants, as native techniques of organic agricultural production played the role of "intermediate technologies". However, the fact that the urban manufacturing sector lagged behind in productivity and income generation led "*Esperança/Cooesperança*" to search for technical allies within the state and academia in the search for a solution. The assistant mayor of Santa Maria claimed that the new municipal-level law of Solidarity Economy will introduce policy programs aimed at supporting the adoption of productivity-boosting but cost-effective and labor-intensive technologies among urban participants of "*Esperança/Cooesperança*". These programs will be developed in collaboration with researchers from "*Universidade Federal de Santa Maria*"[20] (UFSM).

The perspective on "local" knowledge adopted by *Cáritas* was based on the erroneous assumption of it as something "static" and not subject to "hybridization" and constant transformation as a result of interactions with an ever-changing material and social world, including agents outside the community. Such a perspective also ignores the fact that "local" knowledge is often a reflex of structural dynamics that exclude the "pooretariat" from the modern economy and consequently create obstacles to accessing the technologies needed for its economic emancipation. Given the barriers that such a perspective places in the way of the promotion of growth within a "pooretarian" economy, one may assume that

[20] Translation: Federal University of Santa Maria.

planning committees within the Solidarity Economy should shift their focus, when choosing appropriate technologies, from "localness" to the criteria used by Schumacher to define "intermediate technologies".[21] This does not mean that they should ignore the role of "local" or "tacit" knowledge in the promotion of the economic emancipation of the "pooretariat". However, they should keep the distinction between "local" and "non-local" knowledge fluid, in order to facilitate the adoption of know-how and technologies with the potential to improve the productivity of the "pooretarian" economy.

The importance of external linkages in technology adoption

The experience of these three projects indicates that success in the introduction of "intermediate technologies" is intimately connected with the establishment of productive linkages within and beyond the community level. In "*Esperança/Cooesperança*", the participation of national-level social movements and technicians with connections to UFSM significantly contributed to the diffusion of organic techniques of agricultural production. In "*Justa Trama*", the introduction of "intermediate technologies" among both rural and urban producers was stimulated by productive specialization and supported by the technical assistance provided by

[21] The author characterizes "intermediate technologies" as being labor-intensive, small-scale, more productive than indigenous technologies but cheaper than the sophisticated, capital-intensive technology of modern industry (Schumacher, 1973: 169). The purpose is to produce, in large numbers, goods that are of urgent need to the poor. It should be done in a way that minimizes the demand for imports and sophisticated machinery, as well as high levels of capital formation and specialized technical skills, not only in the production process, but also in matters of organization, raw material supply, financing and marketing.

UNISOL. In "Banco Palmas", the focus on local-level production to the detriment of the establishment of trans-local linkages led to the investment of resources and technologies in areas that didn't pay off in terms of productivity, such as agriculture and some types of handicraft. Promoting the integration of associated production units in local and trans-local supply chains connecting local artisans with outside agricultural producers or collectors of recyclable waste will reduce expenses and promote economies of scale that might significantly increase productivity.

As seen on Chapter III, by the time of fieldwork SENAES was implementing a series of programs aimed at promoting knowledge diffusion at the national level. Among them is PlanSeQ Ecosol, the sectoral plan of professional qualification for workers of the Solidarity Economy sector, which hired workers and technicians associated with projects such as "*Justa Trama*", "*Esperança/Cooesperança*" and EMREDE to train workers in other parts of the country.[22] Besides, SENAES instituted, in partnership with "*Instituto Marista de Solidariedade*" (IMS), a national-level network of regional and national-level training centers for Solidarity Economy production units.[23] However, these programs of knowledge diffusion were not matched by the creation of a similar program aimed at the diffusion of "intermediate technologies". By the time of fieldwork, the only technology-oriented national program managed by SENAES was PRONINC, which provides support to university-based "incubators" of Solidarity Economy production units.

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[22] http://www.mte.gov.br/ecosolidaria/prog_formacao.asp
[23] http://www.mte.gov.br/ecosolidaria/prog_formacao_centro.asp

Given the importance of external linkages for the introduction of "intermediate technologies", planning committees will have to coordinate efforts to promote policy programs aimed at promoting their diffusion at the national level. Such programs should be integrated with others aimed at supporting the establishment of inter-sectoral supply chains and promote specific incentives for the productive specialization and adoption of "intermediate technologies" by handicraft producers and other manufacturers.

Access to "intermediate technologies", "clean energy" and insurance

In order to promote the capacity of Solidarity Economy forums to boost the productivity of the sector, it is necessary to complement the establishment of planning committees with that of policies and institutional structures that support the access of the Solidarity Economy sector to "intermediate technologies" and know-how, renewable energies and financial guarantees against environmental-related losses in agricultural production.

The "reserve" of technicians created by UNISOL is an alternative to state- and university-based "incubators" that can serve as a template for the creation of a national-level agency of diffusion of "intermediate technologies". Since this institutional structure is worker-controlled, it can promote a more efficient attunement between the needs of beneficiaries and the type of assistance provided by hired technicians. Besides, putting technical elites at service to worker-owned production units has the potential of promoting a quicker and more efficient

transfer of technology, therefore promoting their faster emancipation from "incubation" or other circumstances of tutelage.

It would also be necessary to create policies that connect Solidarity Economy to programs of support to the development of renewable energies. This is important above all due to the goal of the movement of promoting a more environmentally sustainable economic system. Promoting access to affordable and "clean" renewable energies will promote a delinking of Solidarity Economy initiatives from fossil fuels. Such strategy will support their development into viable alternatives to the forms of production and commercialization that characterized the peak oil economy.

The creation of supply chain-based networks that connect rural and urban production units means that losses in agricultural production resulting from weather-related hazards will also affect urban manufacturing production units. Therefore, the kind of financial compensation provided by the Ministry of Agriculture to family-based subsistence farms and rural cooperatives[24] is not enough to protect Solidarity Economy producers from such losses. As such, it becomes necessary to complement existing credit programs, as well as the resource transference mechanisms promoted by networks such as "*Justa Trama*" with forms of insurance created specifically to protect urban/rural productive chains from losses in production and income resulting from adverse weather and other environmental hazards.

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[24]http://www.agricultura.gov.br/portal/page/portal/Internet-MAPA/pagina-inicial/cooperativismo-associativismo (last consulted on 03/07/11).

Institutional structures and the promotion of socio-economic development

The workplace vs the community as sites of political socialization

"*Justa Trama*" didn't promote the coordination of the goals of its participating cooperatives with those of the communities they are embedded in. As a result, the impact of this project on the political socialization of excluded communities was more limited than that of "*Banco Palmas*" and "*Esperança/Cooesperança*". At the time of fieldwork, cooperatives participating in "*Justa Trama*" were coordinated by workers who already had a formed political consciousness by the time they joined them, as a result of their previous political activism or participation in popular education initiatives. Still, neither "*Justa Trama*" nor UNISOL itself promoted any formal initiative of popular education aimed at developing the political subjectivity of other associates. According to the national coordinator of UNISOL[25]:

> "*UNISOL does not provide popular education. That is the role is of grassroots NGOs of popular extraction. We are a labor movement organization, and our role is to promote the political representation of workers and production units in Solidarity Economy, as well as to facilitate their access to technical assistance*."

Joana claims that the political education of associates takes place in the everyday functioning of the cooperative. Workers with no previous experience in political activism or popular education learn from others how the national and international economy influences the functioning of their respective production unit. Coordinators also promote an organizational culture of non-competitiveness and solidarity among workers. Each of them receives an income corresponding to

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[25] Interview carried out in Brasilia on 11/28/08, during the 8th National-level meeting of the National Coordination of FBES.

the amount of hours he or she dedicates to production. Still, given the small size of participating cooperatives and their horizontal management structure, there is no bonus or promotion system based on productivity. The different functions in the coordination committee tend to rotate among workers and do not bring any additional financial benefit. Workers are also encouraged by their peers to become politically active at the local neighborhood association, as well as in the Participatory Budgeting and the labor movement. Still, UNISOL does not promote any kind of educational initiatives specifically aimed at developing political subjectivities.

In contrast to "*Justa Trama*", "*Banco Palmas*" and *"Esperança/Cooesperança*" actively promoted the political education of their beneficiaries, at par with the improvement of their technical skills. According to the coordinators of the two projects, the political education of workers happens in three venues: (1) popular education initiatives; (2) participatory public spaces set up for project management; (3) through participation in the credit and commercialization mechanisms set up within the projects.

The coordinators of "*Banco Palmas*"[26] claim that the very fact that the project was created within the neighborhood association and is based at its premises contributed to the involvement of social groups that were previously excluded from political participation. The respondent claims that "*Banco Palmas*" was developed in a participatory manner through the daily observation of the skills, resources and

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[26] Interview carried out in Fortaleza, Ceará, on 01/19/08.

difficulties of the community that led to the development of the various initiatives of "*Banco Palmas*":

> "*One thing is to work inside the community. Another is to work with the community but have the headquarters in 'Aldeota'*[27]*. We are here, it was our option to stay with the community and share its joys and its sorrows. (…) Our project was not copied from anywhere. We developed it by talking with people on a daily basis, taking note of what they need, of their aspirations, of their need to be heard, of having their voice taken into account. That's how we developed the credit and grassroots income generation system, as well as 'Forum Econômico Local ["Local Economic Forum"]'*[28]*." (…) Now we are exporting it to other part of the country through SENAES' National-level Policy of Community Finance. (…)*."

The community-based credit scheme, based on an alternative currency ("*Palmas*") and credit card ("*Palmacard*"), reinforced social cohesion by capitalizing upon neighborhood solidarities and grounded with tacit knowledge the learning of political economy and consumption acquired in popular education initiatives (Neto Segundo & Magalhães, 2008: F-16-17). Besides, the fact that credit and commercialization programs were offered in tandem with the participatory planning of production contributed to reduce competitive pressures and foster cooperation between participating production units. That happened despite the absence of community-based supply chains to provide structural incentives for solidarity and cooperation. Neto Segundo & Magalhães (2008) claim that

> *"[w]e must offer, together with solidarity-based credit, a strategy of sustainable production, of fair commercialization and ethical consumption. These four components must be introduced at the same time and in an integrated manner – a network-based logic – therefore supporting the performance of small enterprises. (…) Microcredit, when introduced in isolation and within the logic of the capitalist economy,*

[27] '*Aldeota*' is a middle-class residential neighborhood in Fortaleza that also hosts the local offices of several national and international development NGOs.
[28] This participatory public space was set up for the management and implementation of "*Banco Palmas*".

promotes competition between small producers for market share, and normally leads those who take credit to a worse situation than that they were in before." (p. J-17)

The report written by Icaza & de Freitas (2006) on the performance of "*Esperança/Cooesperança*" claims that the most impacting achievement of this project was the development of an inclusive public sphere in Santa Maria. That happened, first of all, by giving previously excluded populations the opportunity of putting their creativity and intelligence to work and have a source of income that does not depend upon assistential or clientelistic relationships. That is the case, for example, of indigenous and "quilombola" communities, senior women, people with disabilities and recyclable waste collectors, of whom many used to work of their own and abuse drugs or alcohol. Besides, the production units created with the support of "*Esperança/Cooesperança*" are themselves promoters of social cohesion. That happens not only because they promote grassroots income generation and are collectively owned, but also because they are supported by popular education initiatives aimed at re-humanizing the workplace by promoting cooperation and solidarity between workers, as well as a sense of responsibility regarding the whole community. A recyclable waste collector and former drug addict claimed that the supportive dynamics he found within his cooperative helped him to develop the fortitude and resilience necessary to leave his addiction:

> "*'Projeto Esperança/Cooesperança' is my second family, where I found friendship, respect and tenderness.*" (op. cit.: 121)

Another worker participating in the project argued that

> "*The personal growth of the individual is the greatest benefit offered by the Project. When you create principles collectively and know that you have to respect them, that they are established, and you practice them,*

> *you gradually discover yourself as a human being, which is something that society is leaving behind*." (Op. cit.: 122)

The experience of "*Justa Trama*" indicates that supply chain-based networks supported by labor movement organizations promote worker-to-worker solidarity by providing production units with economic resources and institutional structures that allow them to support similar organizations. Such assets also promote workers' ability to exert unmediated political influence over governments, with the purpose of promoting the investment of public resources in the community. However, such investments respond to the economic interest of participating organizations, instead of that of an organized community. Activists from these supply chain-based networks will tend to act as a vanguard when they support other production units and influence the state with the purpose of promoting grassroots socio-economic development.

Participatory public spaces are necessary to integrate Solidarity Economy-based initiatives into grassroots-led development programs. That happens because these spaces promote the involvement of the community, as well as of the state, in the formulation of strategies for the support to worker-owned production units. By promoting the coordination of needs between these actors, they will tend to develop strategies that take into account more than the economic interest of production units, accounting as well for those of the community. Besides, those public spaces also promote the political socialization of populations that were previously excluded from the public sphere. Still, as seen on Chapter II, the economic limitations of "cooperative communities" restrict the capacity of workers to participate autonomously within public spaces. That happens because of their resulting

dependence on the mediation of technicians for access to resources from the state and international donors. Still, “cooperative communities” like “*Banco Palmas*” and “*Esperança/Cooesperança*” promote socio-political popular education, as well as collectively organized economic initiatives, which play the role of “schools of democracy”. They support the development of negotiation and deliberative skills, as well as of a sense of civic engagement, which promote the inclusion in political deliberation of groups that facilitate the inclusion in participatory public spaces of social groups that were previously excluded from the public sphere (Icaza & de Freitas, 2006: 127; Neto Segundo & Magalhães, 2008: O-16).

Improvement of public infrastructures

The effect of Solidarity Economy programs on the improvement of public infrastructures is also a matter of efficient coordination of interests between production units and the communities in which they are embedded, as well as with the state. The compared experience of “*Justa Trama*”, “*Banco Palmas*” and “*Esperança/Cooesperança*” indicates that strengthening the technical planning capacity of Solidarity Economy forums is the best way of promoting their ability to influence policy-making in a way leading to better public infrastructures.

“*Justa Trama*” promoted significant improvements in public infrastructures among some of the participating communities. However, they didn’t result from the coordination of the needs of associated cooperatives and other community members within participatory public spaces. Instead, they resulted from a kind of “spillover effect” from cooperatives participating in “*Justa Trama*” that often acted

as a political vanguard within communities. That is especially the case of improved access to public infrastructures, which resulted from the activism, either within participatory budgeting mechanisms or through mobilization and direct contacts with political elites, of production unit coordinators that are also community leaders.

During a workshop organized by UNISOL at the 2009 World Social Forum[29], a representative of "*Cooperativa Açai*" argued that the improvement of the economic performance of this production unit gave its coordinators the political strength that allowed them to successfully advocate for the improvement of public transportation in the area. This representative claimed that, previous to the integration of "*Cooperativa Açai*" in "*Justa Trama*",

> *"(…) public transportation was very weak in our area. We depended upon the rains that would fill up the brooks in our area in order to be able to transport our products by boat and commercialize them in the city. We spend a long time isolated, especially because the roads in the area are very bad, dust roads which become muddy during the rainy season, (…) the bus lines are very infrequent and there are a lot of delays. Therefore, transportation is also difficult during the dry season if we do not have the adequate boats (…) We gathered the 'companheiros' [from the cooperative] and demanded improvements in river and land transportation, so that it would be easier and faster to transport our goods both during the dry and the rainy season. (…) When the municipality saw that our project works, that it really leads to income generation for the people in the area and that on top of that we are selling to cooperatives in other states in the country, they improved the boat and bus transportation system. It is not only ourselves who gained from that, but the whole community*."

When interviewed, Joana, the coordinator of UNIVENS, indicated that this cooperative contributed to the improvement of public infrastructures in the

[29] Belém, state of Pará, Brazil, January 2009.

neighborhood. That happened mainly through Joana's participation as a delegate to the Participatory Budgeting before, during and after the "incubation" of the cooperation at the local public "incubator":

> "*Our participation at the Participatory Budgeting was fundamental to improve sewage, electricity and even the paving of roads and sidewalks here in the neighborhood. (...) We are more than a cooperative. Together, we are a political force.*"

Still, when I commented on that fact with other workers at UNIVENS, including those that have been at the cooperative since its "incubation", they identified those achievements as being the result of Joana's activism instead of a collective effort. Besides, the representatives of COOPERTEXTIL and "*Cooperativa Açai*" identified the urban cooperatives located in the south and southeastern states, and UNIVENS in particular, as the "economic motor" of "*Justa Trama*". That happens not only because of the advance purchase system, but also because of the investment of revenue in the form of purchase of capital goods for their partners. They also often referred to Joana as the political leader of the network.

While "*Banco Palmas*" promoted substantial improvements in public infrastructures at "*Conjunto Palmeiras*", there were no indications that *"Esperança/Cooesperança*" had a similar effect on Santa Maria beyond the creation of "*Centro de Referência Dom Ivo Lorscheider*". During my first visit to *"Banco Palmas"*[30], one of the coordinators showed me pictures of "*Conjunto Palmeiras*"[31] in

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[30] The first visit happened on 01/19/08. The follow-up visit took place on 04/16/09.

[31] "*Conjunto Palmeiras*" was the result of urban development programs, carried out throughout the 1970's and early 1980's, which led to the displacement of shantytown populations from areas that are nowadays the middle class neighborhoods of "*Aldeota", "Poço da Draga", "Arraial Moura Brasil", "Morro das Placas"* and "*Verdes Mares"* (Neto Segundo & Magalhães, 2008: 9). In order to free those areas for real estate development, the municipal government forced the displacement of the

the 1980's, when the team arrived in the neighborhood. At that time, it was a gathering of barracks made of wood and tinfoil. It had not electricity, plumbing or sewage. Besides, it also had no paved roads. During the rainy season, the nearby river would flood the whole neighborhood, turning the unpaved streets into mud swamps that isolated it from the rest of the city. At the time of fieldwork, all the barracks have been substituted by houses made of concrete. The neighborhood also had a well-functioning system of electricity, plumbing and sewage. Besides, it benefitted from 28.6Km² of large avenues and streets of easy circulation, of which 26% were dust roads, 19% were covered in asphalt and 55% in brittle stone. (Neto Segundo & Magalhães, 2008: 8). This road system is considered to be better than that of most popular-class neighborhoods in Fortaleza.

During my four visits to the municipality of Santa Maria[32], I had the chance to notice that the region was served by an efficient system of freeways and secondary roads that connected the downtown area to the rural suburban belt. The vast majority of the secondary roads were covered either in asphalt or in brittle stone, including those that reached the local Guarani indigenous settlement, the MST *"Assentamento Sepé Tiarajú"* ("Sepé Tiaraju Settlement") and the two family farms participating in the "*Terra Abundante*" ("Abundant Earth") agricultural commercialization group. There were no indications that *"Esperança/Cooesperança*"

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shantytown populations to an area of 118ha, which was initially divided in 36 pieces of land of 200 square meters each. With the increase in the displacements and the growth of "*Conjunto Palmeiras*", the size of the pieces of land donated by the municipality decreased to 160 square meters and then to 120 square meters (Idem).

[32] The first visit took place in April '09, the second in June '09, the third in July '09 and the fourth in January '10.

had any direct contribution to the development of this road system. However, both the coordinators of the project and interviewees at "*Terra Abundante*" claim that, despite the existence of this efficient road system, local peasants still had difficulties in commercializing their products directly at local markets because they couldn't afford to buy their own means of transportation. The rotational funds managed by "*Banco da Esperança*" gave "*Terra Abundante*", among many other beneficiaries, the opportunity to finance their own trucks, so that they could also benefit from the road system to bypass mediators and directly sell their products at "*Centro de Referência Dom Ivo Lorscheider*", as well as other local markets.

Conclusions

As seen in previous chapters, the productivity of the Solidarity Economy sector was generally low at the time of fieldwork. Consequently, most production units were not able to provide their associates with a regular income above the national poverty line. In order for the Solidarity Economy movement to promote the economic empowerment of the "pooretariat", it must develop strategies aimed at promoting at least a six-fold increase in the productivity of the sector. In order for that to become a possibility, the organizations participating in the Solidarity Economy movement, as well as SENAES, must look at the aspects within the movement's strategy that need to be changed in order to promote growth.

The difficulties that the Brazilian Solidarity Economy movement has been facing in promoting the productivity of the "pooretarian" economy are rooted in the limited capacity of the forums to promote coordination between different sub-

sectors of activity, geographical regions and approaches to development. As a result, they were not able to properly diffuse the “intermediate technologies” or form the economic linkages necessary to promote productivity and growth across the sector.

At the time of fieldwork, the major obstacle to growth was the fact that most of the projects carried out by the Solidarity Economy movement, as well as the laws and policy programs for the sector co-produced by the movement and the state, focused on the empowerment of individual production units, based on a vertical relationship between them and institutional supporters in civil society and the state. It is no coincidence that the few projects that managed to provide their associates with a regular monthly income of the minimum wage or above were those that promoted the formation of networks of economic collaboration, either in the form of local-level “cooperative communities” or trans-local supply chains. That happens because these kinds of projects promote the conciliation of goals between production units, as well as economies of scale that decrease the cost of access to production materials, incentive productive specialization and facilitate commercialization. However, as seen in the experience of “*Justa Trama*”, “*Banco Palmas*” and “*Esperança/Cooesperança*”, the networks of economic collaboration promoted by the Solidarity Economy movement were limited by the fact that none of them promoted an integration of horizontal with vertical productive and commercial linkages. That fact limited their capacity to create the incentives needed to foster productive specialization and trans-sectoral linkages in a way that maximizes productivity at the same time that promotes the coordination of the interests of production units with those of the communities in which they are

embedded. This shows that the productivity problems that the Brazilian Solidarity Economy sector were facing at the time of fieldwork were rooted in the absence of adequate institutional mechanisms for the coordination of economic strategies among its components.

In order to integrate horizontal and vertical linkages in a way that promotes productivity as well as grassroots development, it is necessary to endow Solidarity Economy forums with planning committees equipped to identify opportunities for the establishment of inter-sectoral linkages, as well as for commercialization within and outside the sector. With that purpose in mind, it is also necessary to create mechanisms of coordination between planning committees within local-, state- and national-level forums, so as to: (1) integrate the creation of horizontal and vertical linkages within the promotion of grassroots-led development strategies aimed at empowering the "pooretariat"; (2) promote the access to "intermediate technologies", especially among artisans and other urban manufacturers, which at the time of fieldwork were underserved; (3) adequately coordinate the access to intermediate technologies, including the necessary technical education, with the promotion of literacy, as well as political socialization, which happens mainly at the local level through popular education and the everyday engagement of workers in the management of Solidarity Economy projects; (4) minimize the risks faced by production units through the promotion of an adequate legal framework, as well as of financial support measures in the form of credit, advance purchase and insurance mechanisms specifically adapted to the needs of networks of economic collaboration.

CONCLUSION

Summary and implications for Solidarity Economy

In this dissertation, I have analyzed the strengths and limitations of the strategies developed by a unique organization – the Brazilian Solidarity Economy movement – to promote the economic and political empowerment of the "pooretariat" in Brazil. As referred in the introduction, such analysis has two major goals: (1) To contribute to the scholarly debate on associational and participatory politics by analyzing the strategies of support to worker-owned production units and participatory public spaces developed by the Brazilian Solidarity Economy movement to promote the economic and political empowerment of the "pooretariat"; (2) To present a minimal growth model by which to judge the progress that the movement has been making in the achievement of such goals, as well as make suggestions for its improvement.

In Chapter I, I presented the reader to the two main competing theoretical perspectives on Solidarity Economy. One of them, based on Marxist analysis, gives a central role to labor unions and working-class parties in the emancipation of the "pooretariat" and focuses on the democratization of technical and management knowledge. This perspective was adopted by organizations connected to the labor movement that were specifically created to provide support to Solidarity Economy production units, namely ANTEAG, ADS-CUT and UNISOL, as well as by some activist NGOs. One of its main political promoters is "*Constuindo um Novo Brasil*"[1] (CNB), a

[1] Translation: Building a New Brazil

tendency within the Workers' Party (PT) connected to the labor movement. Another one is "*Democracia Socialista*"[2], a Trotskyite tendency within PT with connections to grassroots NGOs such as *Guayi* in Rio Grande do Sul. Another theoretical perspective is that promoted by the Catholic/Marxist current, based on Liberation Theology, which gives a central role to NGOs and focuses on the development of strategies of popular education aimed at promoting empowered subjectivities and the formation of networks of collaboration among the "pooretariat". This perspective is followed by NGOs of Catholic extraction working with rural and urban "pooretarian" communities both in rural and urban areas. It is also followed by "cooperative communities" built with the support of Catholic NGOs, such as "*Banco Palmas*" and "*Esperança/Cooesperança*".

In Chapter II, I introduced the reader to the major challenges placed by sociological literature to the claims of Solidarity Economy theorists. Such challenges are presented by Michels' "Iron Law of Oligarchy", the Tocquevillean claim that the associational and participatory democratic practices of the movement are effective counters to oligarchic tendencies, as well as the Jamesian challenge that, in order to effectively promote worker emancipation, the movement should create conditions for the emergence of networks of unmediated collaborations between workers, well as grassroots leadership, with proven potential for promoting autonomous, self-organized collective action. I used the work of Arendt and Henry on the construction of the "public self" to complement the perspective offered by C.L.R. James on the conditions for worker autonomy, with the purpose of explaining the evolution of the

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[2] Translation: Socialist Democracy

methodologies and institutional forms developed by the Solidarity Economy movement from the earlier articulations until the mid '00's. I analyzed the strategies used by civil society organizations taking part in the Brazilian Solidarity Economy movement to empower the "pooretariat" and contrasted them with the state-centered strategies of promotion of worker self-organization within the People's National Movement in Trinidad. I realized that, while such strategy of worker empowerment was possible in circumstances, such as those of the English-speaking Caribbean, in which economic modernization through state capitalism was carried out by labor parties, it was not possible in those of Latin American countries such as Brazil, in which state capitalism was introduced by right-wing authoritarian governments that co-opted the labor movement. As a result, oppositional collective action only became possible outside the traditional framework of the workers' movement, through the mobilization of pre-modern, culturally based subjective elements in the construction of the "public self" among the popular classes. From this effort emerged both a political program for the working class, with the creation of "*Central Única dos Trabalhadores"* (CUT) in 1980 and of "*Partido dos Trabalhadores"* (the Workers' Party) in 1983, as well as an autonomous political project for the "pooretariat", in the form of the civil society organizations that led to the emergence of the Solidarity Economy movement. These earlier organizations based their methods of support to grassroots income generation on Freirean methodologies of popular education.

The more technically oriented activist NGOs that emerged in the late '80's and early '90's aimed to address the limits of these methodologies by providing

more technically sophisticated forms of assistance to production units. The same period also saw the emergence of two "cooperative communities", "*Banco Palmas*" and "*Esperança/Cooesperança*", which integrated technical assistance in a wider strategy of promotion of community development, based on production-oriented microcredit and support to commercialization. One of the major traits of this new strategic framing was the mobilization of economically and technically based objective elements in the construction of the "public self". Fighting unemployment among the "pooretariat" through the promotion of grassroots entrepreneurship based on cooperative principles, became the basis of a collective political project integrated within a larger strategy of democratic deepening and conquest of rights through the struggle against the exclusionary dynamics of neoliberal governance.

The difficulties that these new methodologies had in promoting income generation beyond the survival level decreased their capacity to promote the economic and political autonomy of workers, as they increased their dependence upon technical elites for access to the external resources necessary for the sustenance of their production units. These difficulties also motivated the creation of the Solidarity Economy forums, with the purpose of promoting methodological innovation through technical collaboration between civil society organizations, as well as economic collaboration between production units. The forums also aimed to promote the co-production and implementation, in partnership with the state, of public policies for the sector. This new strategy also implied a new cumulative phase in the construction of the "public self" among the "pooretariat", as it led to the mobilization of "social" or "relational" aspects of the public self, in addition to the

cultural/subjective and technical elements mobilized in previous phases. The ultimate purpose was to promote an overcoming of the dependence on technical elites and their mediation in the access to external resources by creating institutional conditions for the promotion of horizontal "connectivity" and the creation of endogenous resources. The creation of UNISOL in 2004, in the framework of CUT, marked a new phase in the Solidarity Economy movement, as it introduced institutional structures aimed at promoting worker control of the technical assistance and credit provided to production units within the "pooretarian economy". It also mobilized class-based elements of the "public self" by creating a class-based structure of political representation for the "pooretariat" that connects its struggles with those of the working class.

In Chapter III, I confronted Michels' "Iron Law of Oligarchy" with Lipset, Throw and Coleman's account of the democratizing effect of internal factions within mass organizations, in order to analyze the role of state/civil society linkages in the co-creation of public policies and laws for Solidarity Economy. The analysis led to the conclusion that Lipset, Throw and Coleman's analysis is limited by the fact that it doesn't take into account the impact on organizational democracy of linkages established by different factions with external groups and organizations. Structural power relations at the national and international level, as well as linkages established by certain internal factions with economic and political elites, will tend to strengthen their power vis-à-vis other factions within the organization. That was the case of PT, which shifted from the Marxist/Left orientation that predominated during the democratic transition to a developmentalist "third way" orientation as a

result of structural power relations that led to political compromises with national and international elites. However, the linkages existing between civil society organizations and other factions within mass political organizations might help strengthen them vis-à-vis those factions that resorted to compromises with elites.

That was the case of the linkages between organizations participating in the Solidarity Economy movement and militants within Marxist/Left tendencies within PT, which promoted the creation of Solidarity Economy policies within municipal and state-level PT-led administrations in Rio Grande do Sul. The creation of such policies was facilitated by the predominance of "*Democracia Socialista*" (DS), a Trotskyite tendency, within the local chapters of the party, which have strong linkages and ideological affinities with civil society organizations participating in the movement. However, when negotiating the creation of national-level policies for the sector, the movement faced a problem of lack of linkages, based on ideological affinity, vis-à-vis the future Lula da Silva administration, which in its majority belonged to "*Construindo um Novo Brasil*" (CNB), which espouses "third way" Social Democratic principles and a corporatist approach to state/civil society relations. As a result, the movement had to compromise not only in the content of the public policies it proposed, but also in the institutional formations it envisioned for their implementation. There are indications that the creation of SENAES and the appointment of Paul Singer as its director general was a concession made by the government, taking into account the public profile of some leaders of NGOs taking part in "*GT Brasilieiro*", as well as their personal and political proximity to some of members of the future government, including president Luís Inácio Lula da Silva.

The problem of lack of linkages and ideological affinity between governments and civil society organizations within the Solidarity Economy movement became more acute when there was a rotation of political parties in power. With the substitution of PT-led administration for centrist governments at the state level in Rio Grande do Sul in 2002, the movement had to face the end of state-level public programs of support to Solidarity Economy. The election of a centrist municipal level government in Porto Alegre also led to a reframing of municipal-level programs within a compensatory, "third way" approach that "neutralized" Solidarity Economy policies as instruments of class-based empowerment for the "pooretariat". Still, there are indications that the maintenance of policy programs for the sector at the municipal level beyond 2002 was the result of the presence of local-level Solidarity Economy forums that held the state accountable. The lack of a similar structure at the state level at the time was one of the factors contributing to the elimination of state-level policies for the sector. The analysis of the process of approval of Solidarity Economy laws in Rio Grande do Sul and Rio de Janeiro indicates that, in the majority of cases, their approval is promoted by an ideological affinity between governments and organizations taking part in the Solidarity Economy movement.

In Chapter IV, I made an ethnographic examination of the different sub-sectors of production coexisting within the Solidarity Economy sector in Brazil. I also analyzed the impact upon them of organizational support, namely in the form of technical education and assistance, as well as of corrective interventions in the form of opportunities of commercialization, specifically designed credit programs and

support in the access to production materials. I concluded that these forms of institutional interventions are not, by themselves, a guarantee of promotion of the economic sustainability and productivity of Solidarity Economy production units. They promote access to the now-how needed for the everyday functioning of production units and create opportunities of access to credit and commercialization. These opportunities are of especial importance to informal production units, since they are not able to benefit from such opportunities beyond the "clustered patronage" of personal networks and institutional support by civil society organizations participating in the movement. Still, the capacity that these production units have to benefit from these opportunities depends a lot on the use value and quality of their products. Besides, their capacity to apply the know-how gained through technical education or assistance is limited by the fact that they cannot access the credit necessary to obtain the technology or production materials necessary to improve their productivity or the quality of their products.

The form of institutional support that so far has had the best results in the promotion of the productivity and autonomy of production units is the promotion of supply chain-based networks. Such strategy creates economies of scale that reduce production costs, as well as the dependence of production units on the capitalist economy in terms of access to production materials. Besides, it promotes the transfer of revenue between production units, in the form of forward purchases, which can be used for investments in capital goods, as well as to cover fixed or marginal costs of production. The creation of "*Justa Trama*", with the support of UNISOL, is a particularly successful example of this form of institutional support.

Besides promoting the integration of production units in a supply chain and providing them access to technical assistance and credit, UNISOL also promoted the commercialization of their production within national and international networks connected to the labor and fair trade movements. Besides, UNISOL promoted an unprecedented degree of autonomy of production units vis-à-vis technical elites by placing the control of strategic decisions in the hands of a body of representatives of affiliated workers. Such decisions include the content of the technical assistance provided to production units, as well as the choice of the technicians hired to provide that service. Besides, it is the workers themselves who provide most of the funding that supports the functioning of UNISOL and its programs, including ECOSOL, its production-oriented credit initiative.

In Chapter V, I continued the engagement with the previous theoretical challenges in the analysis of the difficulties faced by the Solidarity Economy movement in the construction of a common political project for the "pooretarian" class, marked by racialized and communal-oriented forms of collective action. The creation of national-level policies and the integration of local-level Solidarity Economy forums in a vertically integrated representative structure happened before the establishment of significant forms of horizontal cooperation between production units, as well as between different grassroots struggles connected to the Solidarity Economy movement. The lack of a significant degree of horizontal "connectivity" at that time led to the predominance of vertical relationships between individual production units, civil society organizations and the state. The predominance of such linkages promoted attempts at the cooptation of the

Solidarity Economy forums by political elites within PT that created obstacles to their everyday functioning, as well as to the promotion of the initial goal of supporting economic cooperation between production units, as well as between grassroots struggles. However, the institutional structures of the Solidarity Economy movement have been facilitating the construction of grassroots alliances and new organizations that are creating parallel spaces of "connectivity" that have the potential of promoting its democratization. Among them are supply chain-based grassroots economic networks such as "*Justa Trama*", as well as "cooperative communities" such as "*Projeto Esperança/Cooesperança*" in Rio Grande do Sul, and "parallel public spaces" like the Cooperative Network of Women Entrepreneurs (CNWE) and the Network of Women's Solidarity (NWS) in Rio de Janeiro. These spaces promote the convergence of different popular struggles, as well as direct collaboration between production units, in a way that facilitates the bottom-up construction of a common, proactive project identity.

In Chapter VI, I made an overall assessment of the extent to which the Brazilian Solidarity Economy movement has achieved its goals of promoting the economic and political emancipation of the "pooretariat". I realized that the political emancipation of this class from the tutelage of technical and political elites based in civil society organizations, political parties and the state depends on the productivity of organizations within the "pooretarian" economy, as well as of their capacity to promote grassroots social and economic development. I concluded that the difficulties that the Brazilian Solidarity Economy movement has been facing in promoting the productivity of the "pooretarian" economy are rooted in the limited

capacity of the forums to promote coordination between different sub-sectors of activity, geographical regions and approaches to development As a result, they were not able to establish the productive and commercial linkages or properly diffuse the "intermediate technologies" needed to improve productivity and income generation across the sector. In order to fulfill the goal of lifting the "pooretariat" out of poverty, it is necessary for the Solidarity Economy movement to promote a minimum of a six-fold increase in the productivity of "pooretarian" production units. With that goal in mind, I drafted a minimum growth model, based on the analysis of the strategies followed by Solidarity Economy projects that succeeded in improving the productivity of production units within the "pooretarian" economy.

Promoting the productivity of the Solidarity Economy sector

From the analysis of the strengths and limits of "*Justa Trama*", "*Banco Palmas*" and "*Projeto Esperança/Cooesperança*", it was possible to draft a growth-oriented model containing a series of measures aimed at improving the productivity of Solidarity Economy production units, which include:

(1) The creation, within the Solidarity Economy forums, of planning committees consisting of members of production units, supported by technicians from civil society organizations. These committees should be given the mandate of promoting participatory, but careful scientific economic planning aimed at outlining and coordinating the various parts of a multi-dimensional growth strategy.

(2) The promotion of "connectivity" among production units by promoting productive and commercial linkages at horizontal level, through the establishment

of "cooperative communities", as well as at the vertical level, through the formation of trans-local supply chain-based networks of economic collaboration. The ultimate purpose is to integrate existing enclaves of isolated economic activity in an input-output model to form a larger economic whole with a higher division of labor.

(3) The improvement of worker productivity by improving the access to technical assistance at the different stages of production and commercialization, as well as introducing where necessary "intermediate", labor-intensive technologies.

(4) Laws and policy measures that would reduce some of the risks and lower the cost of starting a small business. This should include the promotion of social security mechanisms specifically aimed at workers affiliated to Solidarity Economy production units;

(5) Complementing credit-based programs with subsidies and forms of insurance specifically designed to cover the financial and environmental risks faced by Solidarity Economy production units.

The analysis carried out in Chapter VI indicates that strengthening the technical capacity of Solidarity Economy forums to carry out policy-related planning and implementation will increase their capacity to promote the empowerment of the "pooretariat" vis-à-vis the state as well as technical elites taking part in civil society organizations participating in the movement. This has implications for theory in the fields of associational and organizational democracy, as well as labor mobilization.

Implications for sociological theory

Theorists of associational democracy from de Tocqueville to Cohen & Rogers have so far focused on the institutional aspects of political empowerment, insisting on the importance of ties between the state and civil society organizations in the promotion of grassroots access to public resources. However, the analysis carried out in Chapter VI suggests that such approach should be extended so as to integrate processual aspects. It indicates that, in order to realize actual grassroots political empowerment instead of a vanguard-led process, such improved access must be the result of deliberation processes that coordinate the interests of organizations with those of individual members within a given community. Such processes must result in the planning of joint political strategies aimed at the achievement of communicatively established common goals.

The above conclusion implies that strengthening intermediary organizations, like the Solidarity Economy forums, by giving them the capacity to carry out participatory but scientifically based economic planning, may also constrain oligarchical tendencies within affiliated civil society organizations. That happens because workers will be given the capacity to control and even veto the activities of technicians within planning committees. Besides, it may also help to curb oligarchical tendencies in the relationship between individual and institutional members of participatory public spaces and elites based in political parties and the state. That may happen, for example, by creating institutional incentives for the collaboration between different factions, as well as between them and grassroots members, namely by promoting the emergence of common strategic frames through

communicative processes. In the case of the Solidarity Economy forums, that may result in the emergence of a common development strategy that surpasses the obstacles to collaboration between "*Democracia Socialista*" (DS), "*Construindo um Novo Brasil*" (CNB) and the Catholic-Marxist sector.

Cohen & Rogers (1995) have further argued that enhancing the political role of intermediary organizations risks undermining their autonomy from the state and transforming them into tools of social control rather than vehicles of democratic participation (pp. 2-3). However, the political initiative demonstrated by workers within "*Justa Trama*" indicates that the promotion of the economic autonomy of the "pooretariat" contributes to develop what James called the "creativity of the masses". In "*Justa Trama*", the economic empowerment of production units contributed to the accumulation of political power by their leading members. Besides promoting their standing as community leaders, such political power also allowed them to successfully lobby the state for better public infrastructures without having to directly rely upon the political machinery of UNISOL. Still, such process of empowerment carries within itself the risk of creating a new oligarchy within the "pooretariat", as the political action of workers within "*Justa Trama*" was motivated by the self-interest of production units and was not coordinated with that of the communities in which they are embedded. The promotion of comprehensive planning within Solidarity Economy forums has the potential of capitalizing upon the political capital of economically empowered workers to promote the political empowerment of the "pooretariat" as a class.

During a talk at Brown University on February 3, 2010[3], Leonardo Avritzer expressed concern over indications that the participatory institutions created by PT-led governments in Brazil with the purpose of deepening democracy were falling prey to oligarchic tendencies from within the party. This scholar was referring in particular to the participatory budgeting schemes implemented in several Brazilian municipalities. The analysis carried out in this dissertation indicates that the same is happening to some extent to the institutional apparatus of the Solidarity Economy movement. There is evidence throughout the previous chapters that the Solidarity Economy forums were only able to guarantee an adequate response from the state to their interests, and at the same time maintain their autonomy, when there was an ideological affinity between the organizations taking part in them and the internal tendency within PT that leads the government. It was the ideological alignement between civil society organizations and "*Democracia Socialista*" (DS) that promoted the creation of the first public policies for the sector in Rio Grande do Sul. When such affinity is not present, the forums had to make significant concessions to the interests of the administration in power. That was the case of the negotiations leading to the creation of SENAES, in which the ideological alignment between civil society organizations and the state was only partial. It was also the case, for example of the maintenance of municipal-level Solidarity Economy policies in Rio Grande do Sul after a PMDB-led administration replaced the PT-led administration in government. In circumstances such as those of Rio Grande do Sul after the ousting of

[3] http://www.watsoninstitute.org/events_detail.cfm?id=1480 (last consulted on 03/28/11)

PT from the state government or the preparation of the 4th National Plenary of the movement, different tendencies within PT, including that predominating within the national government, attempted to co-opt the forums to their own political interests. All these facts indicate that there are limitations in both the Michelsian and the Tocquevillean claims regarding the democratizing effect of intermediary organizations in civil society, as well as within political parties. However, such limitations are of a nature that makes these perspectives mutually complementary and require their combination for a full understanding of institutional dynamics within the Solidarity Economy movement. Besides, the experience of "*Justa Trama*" indicates that it is possible to promote autonomous collective action within the movement by boosting the productivity of Solidarity Economy production units and promoting economic collaboration between them through their integration in supply chain-based networks. This has consequences for C.L.R. James' theory of autonomous worker collective action, as it adds an economic dimension to the organizational conditions deemed by the author as necessary for its emergence.

Containing oligarchy: Ideological affinity and institutionalization of gains

There are two main findings from the analysis carried out within this dissertation that pose limits to the application of the "Iron Law of Oligarchy", as conceived by Michels, to state/civil society relations. One of them is the role of party faction/civil society ideological alignments in the creation of public policies for Solidarity Economy, despite the developmentalist "third way" approach adopted by core leaderships within PT. The other one is the role played by the Solidarity

Economy forums in guaranteeing the continuity of Solidarity Economy policies after the ousting of PT from government. The first finding indicates that, within a pluralistic regime, there will be a tendency for the containment of the oligarchic tendencies of political elites in their relationship with civil society organizations when these, by their activities and ideology, promote the aggregation of a grassroots base of electoral support. The same happens in the relationship between core leaderships and minority factions within internally diverse political parties. In such circumstances, core leaderships within political parties and the state will have a vested interested in responding to the claims of minority factions within the party structure, as well as intermediary organizations within civil society, in a way that does not interfere with their autonomy, so as not to compromise a mutually beneficial relationship. The second finding indicates that intermediary organizations, such as the Solidarity Economy forums, that mobilize participants across different identities and sectors of activity, help to guarantee the continuation of public policies co-created with administrations with whom they had an ideological alignment after they are ousted. That happens because the previous existence of such policies, plus the mobilization capacity of intermediary organizations, guarantee a level of institutionalization that prevent their elimination. The new administration will have a vested interest in maintaining them, so as not to lose grassroots support, even if it ends up imposing significant changes in its political framing.

Limits to the democratizing effects of intermediary organizations

There are also two main findings from this dissertation that pose limits to the Tocquevillean claim of the democratizing effects on political life of intermediary organizations within civil society. One of them is the political re-framing imposed by centrist governments on Solidarity Economy policies. Another one is the cooptation attempts that affected the Solidarity Economy forums after PT was ousted from government in Rio Grande do Sul in 2002. The first finding indicates that ideological alignments between governments and civil society organizations represent the framework and at the same time the limits within which intermediary organizations can exert a democratizing effect within politics. The second finding indicates that previous alliances between civil society organizations and political elites based on ideological affinities can turn predatory when those elites are ousted from political power as the result of electoral scrutiny. In such circumstances, previous political allies can end up co-opting or attempting to co-opt intermediary organizations, with the purpose of using them as platforms for aggregating electoral support for their return to power.

Supply chain-based networks as promoters of autonomous collective action

The previous findings suggest that there is little room for the promotion of autonomous collective action by workers both within and beyond the institutional structures of the movement, which according to C.L.R. James is the condition for their emancipation. The economic fragility of most production units and their consequent dependence upon institutional interventions by civil society

organizations and the state seems to corroborate this idea. However, the experience of "*Justa Trama*" indicates that there is a possibility for such autonomous action among "pooretarian" production units that integrated in the formal market, have a level of productivity and capacity to generate income above mere survival level and are integrated in supply chain-based networks that promote direct economic collaboration between them. This adds an economic dimension to the organizational one laid out by the author in *Facing Reality* (James, Lee & Castoriadis, 2006), which is the emergence of horizontal networks of collaboration between workers, as well as of grassroots leaderships able to autonomously mobilize them into transformative collective action. It shows that the political socialization that leads to the emergence of these grassroots networks and leaderships has an economic as well as institutional foundation. UNISOL, being an organization of the labor movement, promoted a form of political socialization that allowed for the emergence of grassroots leaderships that promoted the autonomous collective action that led to improvements in public infrastructures in the communities of some of the participating cooperatives. However, it was the economic collaboration between production units, as well as the material support provided by increased productivity, that promoted the emergence of the grassroots networks that made such autonomous collective action possible. This also brings an optimistic perspective on the possibility of a viable project of emancipation for the "pooretariat" that is not the result of a "trickle down" effect of the empowerment of other classes. The viability of such project is not dependent upon the achievement, by the national economies, of levels of modernization similar to those of

industrialized countries. It is also not dependent upon the full integration of the "pooretariat" into the working class and its structures of collective action. It is dependent, above all, upon the establishment of institutional conditions for the promotion of unmediated economic linkages between production units in a way that improves their productivity, at the same time that socializes workers into unmediated collaboration based on solidarity.

ANNEX I

Table I – Main characteristics of the Solidarity Economy sector (2007)

	National level		Rio de Janeiro		Rio Grande do Sul	
	n	%	n	%	n	%
Total production units	21 859	100	1 343	6.14	2 085	9.54
Aggregate revenue (R$ billion)	7 863. 35	100	23 125.07	100	139 888. 16	100
Area of activity						
Rural	10 513	49.09	178	13.25	791	37.94
Urban	7 539	34.48	895	66.64	862	41.34
Rural and urban	3 711	16.97	262	19.51	420	20.14
Total with formal status	10 896	49.85	293	22.00	753	36.00
Participate in Solidarity Economy forums	2 995	13.70	295	21.97	451	21.63
Size of production units						
≤10 associates	5 368	24.55	699	52.04	831	39.86
11 to 20 associates	3 876	17.73	250	18.62	373	17.89
21 to 49 associates	7 053	32.27	226	16.83	471	22.59
Percentage ≥ 50 associates	5 329	24.38	158	11.76	378	18.13
Total amount of associates	1 687 035	100	64 846	3.84	364 725	21.74
Total men	1 056 952	62.65	41 085	63.36	256 773	70.40
Total women	630 083	37.35	23 761	36.64	107 952	29.60

Sources: SENAES, 2007

Table II – Forms of organization – National level

	National level		Rio de Janeiro		Rio Grande do Sul	
	n	%	n	%	n	%
Association	11 326	51.81	217	16.16	597	28.63
Informal group	7 978	36.49	986	73.41	1 024	49.11
Cooperative	2 115	9.67	111	8.27	382	18.32
Other[1]	281	1.28	29	2.16	43	2.06

Sources: SENAES, 2007

[1] According to the project director of the "mapping" process at SENAES, this category includes barter groups and production units that, although based on the pooling of resources and practices of reciprocity, were registered as micro-, small or medium enterprises.

Table III – Main production activities – national level

	National level	n	%	Rio de Janeiro	n	%	Rio Grande do Sul	n	%
1st	Agriculture/animal husbandry	8 792	40.22	Handicraft/Labor-intensive manufacture of decorative products and personal accessories	704	52.42	Agriculture/animal husbandry	418	20.05
2nd	Handicraft/Labor-intensive manufacture of decorative products and personal accessories	3 890	17.80	Food processing/ commercialization	318	23.68	Handicraft/Labor-intensive manufacture of decorative products and personal accessories	274	13.14
3rd	Food processing/ commercialization	1 704	7.80	Services	66	4.92	Food processing/ commercialization	263	12.61
4th	Recycling	718	3.28	Agriculture/animal husbandry and fisheries	64	4.77	Recycling	131	6.28

Sources: SENAES, 2007

Table IV – Profile of Solidarity Economy forum representatives

	FCP		FGEPS	
	n	%	n	%
Total	17	100	17	100
Formal	6	35.29	10	58.82
Informal	11	64.70	7	41.17
"Constructed"	14	82.35	13	76.47
"Organic"	3	17.65	4	23.53
Organizational format				
Informal group	13	76.47	9	52.94
Association	1	5.88	1	5.88
Cooperative	3	17.65	6	35.29
Motivation for creating the production unit				
Alternative to unemployment	13	76.47	11	64.70
Complement other sources of income	12	70.58	13	76.47
Promote community development	13	76.47	4	23.53
Sector of production				
Urban				
Urban shantytown "pooretariat"	11	64.70	4	23.53
Recuperated factories	0	0.00	1	5.88
Downwardly mobile working class	6	35.29	9	52.94
Rural				
Family-based agriculture	0	0.00	2	11.76
Agrarian reform settlements	0	0.00	1	5.88
Ability to provide regular income to associates				
Yes	5	29.41	14	82.35
No	12	70.59	3	17.64

Source: Fieldwork data (semi-structured interviews)

Table V – Demographic profile of Solidarity Economy forum representatives

	Rio de Janeiro		Rio Grande do Sul	
	n	%	n	%
Total	17	100	17	100
Gender composition of production units				
Only men	0	0.00	0	0.00
Only women	8	47.06	4	23.53
Men and women	9	52.94	13	76.47
Gender of forum representatives				
Male	3	17.65	6	35.29
Female	14	82.35	11	64.70
Race of forum representatives				
White	6	35.29	15	88.23
Non-white	11	64.70	2	11.76

Source: Fieldwork data (semi-structured interviews)

Table VI – Economic performance of production units

	National level		Rio de Janeiro		Rio Grande do Sul	
	n	%	n	%	n	%
Average monthly revenue						
R$0.00	6 533	29.88	339	25.24	771	36.98
Until R$1 000	3 628	16.59	424	31.57	302	14.48
From R$1 001.00 to R$5 000.00	5 412	24.75	356	26.51	437	20.96
From R$5 001.00 to R$10 000.00	2 031	9.29	82	6.11	163	7.82
From R$10 001.00 to R$50 000.00	2 789	12.75	92	6.85	222	10.65
More than R$50 001.00	1215	5.45	47	3.50	171	8.20
Average monthly income provided to associates						
Didn't respond	8 894	40.69	241	17.94	844	40.48
Responded	12 965	59.31	1 102	82.06	1 241	59.52
R$0.00	2 093	16.14	119	10.80	214	17.24
Up to 1/2 minimum wage*	4 117	31.75	532	48.28	290	23.34
1/2 to 1 minimum wage	2 657	20.49	272	24.68	343	27.64
1 to 2 minimum wages	2 812	21.69	128	11.62	262	21.11
>2 to 5 minimum wages	1 286	9.92	51	4.63	132	10.64

Sources: SENAES, 2007

*R$380

Table VII – Organizational support

	National level		Rio de Janeiro		Rio Grande do Sul	
	n	%	n	%	n	%
Received organizational support						
Yes	15 886	72.67	853	63.51	1635	78.42
No	5 973	27.33	490	36.49	450	21.58
Form of support						
Technical and managerial training	9 533	60.12	509	59.67	464	28.38
Technical assistance	8 058	50.72	129	15.12	470	28.74
Socio-political popular education (self-management, cooperative production, solidarity Economy)	5 393	33.94	112	13.13	256	15.68
Legal and administrative support in the formalization process	2 826	17.78	28	3.28	161	9.85
Sources of support						
Government programs	8 915	56.12	390	45.72	950	58.10
NGOs/SMOs/community-based organizations	5 097	32.08	300	35.17	625	38.22
SEBRAE, SENAC, SESCOOP*	4 466	28.11	241	28.25	240	14.68
Organizations of the labor movement	2 534	15.95	28	3.28	256	15.66
University-based "incubators"	1 201	7.56	91	10.67	201	12.29

Source: SENAES, 2007

Table VIII – Main sources of production materials

	National level		Rio de Janeiro		Rio Grande do Sul	
	n	%	n	%	n	%
Private enterprises	11 081	50.69	848	63.14	992	47.58
Associates' own means of production	3 950	18.07	98	7.28	338	16.21
Donations	1 838	8.41	166	12.36	131	6.28
Collection (i.e. recyclable waste)	997	4.56	88	6.55	67	3.21
Other Solidarity Economy units of production	1449	6.62	58	4.31	201	9.63

Sources: SENAES, 2007

Table IX – Commercialization

	National level		Rio de Janeiro		Rio Grande do Sul	
	n	%	n	%	n	%
Main venues of commercialization						
Directly to clients	7 560	34.58	585	43.56	531	25.46
Public fairs	4 284	19.59	178	13.25	272	13.04
Shops and other private venues of commercialization	3 582	16.38	204	15.19	459	22.01
Solidarity Economy fairs, shops and centrals of commercialization	2 107	10.09	249	18.43	265	12.71
Level of commercialization						
Local community-based	10 076	46.09	774	57.63	811	38.89
Municipal	4 933	22.56	281	20.92	433	20.77
Regional	1 871	8.56	119	8.86	204	9.78
State level	1 245	5.69	82	6.10	109	5.23
National level	527	2.41	34	2.53	53	2.54
International	113	0.52	2	0.15	3	0.14

Sources: SENAES, 2007

Table X – Credit

	National level		Rio de Janeiro		Rio Grande do Sul	
	n	%	n	%	n	%
Access						
Yes	3 458	15.82	97	7.22	357	17.12
No	11398	52.14	559	41.62	920	44.12
Not necessary	6 960	31.84	683	50.86	807	38.70
Percentage						
Purposes						
Capital investments	1 780	51.47	54	55.67	183	51.26
Cover fixed costs	888	25.68	23	23.71	107	29.97
Cover marginal costs	789	22.81	22	22.68	65	18.20
Sources						
Public banks	1 985	57.40	37	38.14	151	42.29
Private banks	215	6.22	23	23.71	26	7.28
Percentage						
Solidarity Economy-based finance (Credit cooperatives and microcredit systems)	679	19.63	17	17.52	142	39.47
Other	63	1.82	27	27.83	6	1.68

Sources: SENAES, 2007

Table XI – Main challenges faced by units of production

	National level		Rio de Janeiro		Rio Grande do Sul	
	n	%	n	%	n	%
Difficulty in accessing credit	10 304	47.14	403	30.00	828	39.71
Lack of enough reserve capital for capital investments and expansion of production	4 413	20.18	163	12.14	141	6.76
Difficulty in commercializing enough products to ensure viability	3 170	14.50	158	11.76	168	8.06
It does not have the documents/legal status required for accessing credit/commercialization	3 060	14.00	65	4.84	86	6.40
Lack of adequate space and equipment for production/ commercialization	1 973	9.02	166	12.36	105	5.04

Source: SENAES, 2007

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