Managing Public Perceptions: New Wealth and Corruption in Brazil

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A steady flow of positive economic events in the last decade has given Brazilians a reason to be optimistic about their personal futures and about their country as a whole. Great wealth accumulated during the administration of Luiz Inácio Lula da Silva (2003-2010), when the country’s GDP rose from USD 504.4 billion at the end of 2002 to USD 2.1 trillion by 2010. In 2011, Brazil surpassed the UK to become the sixth largest economy in the world, with a GDP exceeding USD 2.5 trillion. A series of social programs that prioritized direct cash transfers enabled the underprivileged in Brazil to share in the country’s economic prosperity.

During the Lula administration alone, Brazil lifted 28 million people from extreme poverty, while 36 million ascended to the middle class, and 15 million new jobs were created, bringing down the country’s unemployment rate from 11.2 percent in January 2003, to 5.3 percent in December 2010. Lula’s social programs departed significantly from previous economic policies, which tended to overemphasize economic stabilization without successfully addressing the needs of the poor. By the time Lula completed his two-term presidency, he enjoyed a personal approval rating of 87 percent, and was able to help elect the country’s first female president, his former Chief of Staff Dilma Rousseff (who had never before run for public office). Shortly after Rousseff’s inauguration in January 2011, however, a series of corruption scandals emerged within the highest echelon of her administration. The scandals threatened to blemish Rousseff’s reputation.
as a pragmatic technocrat with little tolerance for petty politics and administrative incompetence.

First, her chief of staff, Antonio Palocci, was unable to explain a twentyfold increase in his personal income during his 2007-2011 tenure as congressional representative of the state of São Paulo. Palocci resigned on June 7, 2011 after public outrage against him grew until Rousseff could no longer keep him in office. The allegations against Palocci did not come as a surprise to many Brazilians. He has been accused of embezzlement and bribery since the beginning of his political career in the Workers’ Party (PT) in the late 1980s.4 Since Palocci’s resignation, seven more ministers have left office, six of them facing serious allegations of corruption and embezzlement. Among the eight ministers that have left Rousseff’s government, only Nelson Jobim, of the defense ministry, was not accused of corruption. Instead, he was forced to resign after publicly criticizing top members of the Rousseff administration and admitting to voting for her opponent in the last presidential election.5

More importantly, widespread corruption at all levels of the government has been reported on an almost-daily basis.6 Unlike the trend in corruption cases, where the least powerful instances are exposed first, the ministerial resignations in the Rousseff government have generally started from the top and trickled down to lower offices. This being said, one recent and very serious corruption case started with an official from a lower rank in Brazil’s Mint (Casa da Moeda). Its chief, Luiz Felipe Denucci Martins, is under investigation by the Federal Police for diverting over USD 25 million to two offshore firms in the British Virgin Islands. Apparently Denucci made this money by charging a percent in kickbacks on contracts with two prime Mint suppliers over the past year.7

According to political science professor David Fleischer, many people were aware of Denucci’s illegal activities before the Federal Police started the investigation. Fleischer wrote the following in his newsletter Brazil Focus – Weekly Report, an online publication that covers political and economic events in the country and that is subscribed primarily by scholars living outside of Brazil:

Denucci’s party (PTB_Brazilian Labor Party) affirmed that after he was appointed to the Mint that Denucci ‘forgot’ about his party (translation: The kickbacks obtained by Denucci were not passed on to the party.) …on 2nd February, the press reported that in August 2011 the Casa Civil (presidential cabinet) alerted Finance minister Guido Mantega regarding suspicions/allegations of irregularities at the Casa da Moeda [Read: Denucci]. Mantega did nothing which
explains why he has been silent [has not answered press inquiries] since Denucci was sacked. Too little, too late – on 2nd February, Mantega determined an internal inquest at the Finance Ministry regarding the accusations against Denucci.8

Mantega’s early inaction in response to the accusations against Denucci tends to corroborate the perception of many Brazilians and foreigners who do business in Brazil: that corruption is endemic. But, in reality, how extensive is corruption in Brazil? A recent survey sponsored by the Industrial Federation of the State of São Paulo (FIESP) estimates that the equivalent of 2.3 percent of Brazil’s GPD (or USD 57.5 billion) is misappropriated from the national accounts every year, an amount comparable to the GDP of Cuba or Belarus, for example.9 As for measurements of corruption perception, such as the index developed by the Berlin-based think tank Transparency International (TI), Brazil’s score has varied from 4.0 in 2001, to an all-time low score of 3.3 in 2006 and to 3.7 in 2010.10 Because TI has yet to publish its survey for 2011, it is likely that Brazil’s score will decrease in light of the significant number of corruption scandals that marked Rousseff’s first year in government.

The almost yearlong barrage of political scandals has spurred a national debate about the causes of what initially appeared to be a public meltdown of the Rousseff government. One common explanation among pundits has been that, unlike her predecessor, Rousseff lacks retail political skills in managing disagreements among members of her coalition. This is especially the case in disputes about the distribution of political or administrative appointments. This explanation implies that the level of corruption in the current administration is no greater than that of the Lula years. The difference is that Lula was much more skillful in resolving internal disputes and preventing irregularities from coming to light.

Another explanation attributes the increase in political corruption to the PT attainment of the executive power. The proponents of this explanation contend that the PT has taken advantage of its well-known organizational efficiency in the distribution of political appointments among PT members and coalition allies to profit illegally from government business.

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They accuse the PT administrations of extracting rents, and even stealing from the government, at levels never accomplished before by a political party in power in Brazil. One way in which the PT allegedly enables theft and reduces the likelihood of whistle-blowing is by assigning party “comrades” to the same agency, who then disregard one another’s misconduct. However, even if those appointed to the agencies were highly ethical professionals, the federal government could still lose administrative capacity due to the greater preponderance for the PT and its coalition parties to make politically-motivated appointments as opposed to the more merit-based ones. Considering that there are about 24,000 bureaucratic appointments available to every new presidential administration in Brazil, the negative impact of the politicization of the state machine can be substantial.11

Still, the popularity ratings of Rousseff and her government are very high. Opinion polls taken throughout the first year of Rousseff’s presidency gave her higher ratings than those obtained by Lula during the same periods of his presidency. After a short decrease in popular approval of Rousseff and her government’s performance in July (67 percent and 48 percent, respectively), numbers were up again in December 2011, and climbed to an all-time high in April (77 percent and 56 percent).

So what makes Rousseff so resistant to criticism? One explanation is that she has been able to distance herself from the government officials involved in the scandals, in spite of her hesitation to dismiss Palocci, her former chief of staff. As political scientist Fernando Abrucio has put it, there is a perception that 2011 was not Rousseff’s first presidential term, but Lula’s last.12 Another possible reason is simply that the average Brazilian’s living conditions have improved and people are generally doing better. It appears that, so long as Rousseff continues to respond appropriately to corruption scandals, and economic news remains positive, Brazilians will likely maintain confidence in her government. Consistent public support would afford Rousseff a unique opportunity to introduce long-needed electoral and institutional reforms that could curb the need for, and the ability of, the executive government to exchange bureaucratic appointments in order to pass legislation. Only time will tell what direction the Rousseff administration will pursue in the coming years.

ENDNOTES

3 Lula himself was elected in part because of the public’s disillusionment with the policy priorities of the Fernando Henrique Cardoso administration (1995-2002), which brought much needed macroeconomic stability but were slow to address poverty. Lula’s presidential election became part of the “pink tide,” or “turn to the left,” in Latin America where many left-leaning presidential candidates were elected for similar reasons. These include: three-term Venezuelan President Hugo Chávez (1998-present), Argentine Presidents Nestor and Christina Kirchner (2003-2007 and 2007-present, respectively), Bolivian President Evo Morales (2006-present), and Ecuadorean President Rafael Correa (Ecuador, 2007-present), among others.

4 In fact, Palocci was also forced to resign his job as Lula’s finance minister in 2006 for his involvement in the mensalão, a major scandal in which several Congress members were allegedly paid USD 12,000 a month in exchange for votes on legislation favored by the PT. See Monica Arruda de Almeida, “Regulation and Compliance: Anti-Money Laundering,” in The Brazilian State–Debate and Agenda (Maryland: Lexington Books, 2011).

5 The other six officials forced to leave government due to criminal activities were the Minister of Transport (Alfredo Nascimento, July 6, 2011), the Minister of Agriculture (Wagner Rossi, August 17, 2011), the Minister of Tourism Pedro Novais (September 14, 2011), the Minister of Sports (Orlando Silva, October 26, 2011), the Minister of Labor (Carlos Lupi, December 4, 2011), and the Minister of Cities (Mário Negromonte, February 2, 2011).


8 Ibid.

9 “Cabral and Diniz,” Veja, 80.

10 Transparency International, various years, available at <http://www.transparency.org/policy_research/surveys_indices/cpi>. The TI index is based on a scale of 0 (highest level) to 10 (lowest level) of corruption.

11 There are some disputes about the number of bureaucratic appointments in the federal administration available for an elected government in Brazil, with numbers varying from 24,000 to 32,000 to 90,000 jobs (see for example, Cabral and Diniz, 26 October, 2011). I used the most conservative number for this article. Note that the number of bureaucratic appointments available for new federal administrations in the U.S. (with an economy about six times that of Brazil’s and a population of 100 million more) is less than 9,000 jobs.

12 Globo News Painel, <http://globotv.globo.com/globo-news/globo-news-painel/v/deficiencias-do-sistema-politico-brasileiro-dificultam-o-crescimento-do-pais/1743708/> (accessed on December 24, 2011). Abrucio is alluding to the fact that of the eight ministers that resigned in the Rousseff administration, five had retained the same position that they held in the Lula administration. This group does not include Palocci, who was Lula’s finance minister from 2003 to 2006 and was brought again in 2011 to become Rousseff’s chief of staff.