

# The Brazilian Crisis

## Corruption, Natural Resources, and Neoliberalism

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Brazil is a land of contradictions – famous beaches that cater to wealthy celebrities are adjacent to urban areas without running water or paved streets; the world's largest meat processing company (JBS, owner of Swift & Company) is headquartered in the same country where roughly 1/3 of the population face some degree of food insecurity daily; a government that has garnered recent fame for its innovative social programs that have raised millions out of poverty is complicit in rampant corruption that benefits a select few economic and political elites.

### Brazil's President Impeached

This last quality – corruption – has recently received attention, mainly due to scandals involving public policies, state-run businesses, and hundreds of government officials. The highest profile official affected thus far has been President Dilma Rousseff, Brazil's democratically-elected president and member of the center-left Workers' Party (Partido dos Trabalhadores, or PT), who was impeached on May 12th after the Senate voted 55 to 22. This came after Brazil's lower house (the Câmara dos Deputados, equivalent to the US House of Representatives) on April 17th also voted to impeach, with 367 votes in favor and 122 against. Mass protests, both against and in support of the Workers' Party government, have paralyzed Brazilian society on-and-off for months.

### The Law of Fiscal Responsibility

Understanding the current political crisis requires placing it in its politi-

cal and economic context. It also means acknowledging that there is not one, but really two corruption scandals. The first, which directly involves President Dilma, alleges that she committed “crimes of responsibility” involving public spending and the budget. A crime of responsibility, despite seeming vague, is actually listed within the Brazilian Constitution as an impeachable offense. Grounds for the allegation are found between 2013 and 2015. At this time, Rousseff issued various decrees to extend credit to finance certain social programs, namely Social Security and the Family Fund (Bolsa Família – a program that provides a monthly stipend to economically marginalized women for sending their children to school). The problem is that maneuvers dealing with public expenses are prohibited in Brazilian law. According to a piece of legislation that US Republicans would dream about, the Law of Fiscal Responsibility (A Lei de Responsabilidade Fiscal) requires that annual targets are set and voted on concerning inflation, government expenses, and the public debt. In effect, this law mandates yearly balanced budgets. Dilma will now face a trial in the Senate on whether or not her decrees in fact broke Brazilian law. Even if her actions violated Brazilian law, she personally received nothing, instead dedicating the resources for social programs that were running short on funding.

### The Second Scandal

The second scandal, which is definitely more extensive, deals with

the state-run oil company, Petrobras. In the investigation that has become known as “Operation Car Wash” (in Portuguese, Operação Lava Jato), Brazilian authorities uncovered a laundering scheme where Petrobras executives accepted bribes from politicians in exchange for inflated contracts with certain construction companies. In the largest scandal in Brazilian, if not world history, Operation Car Wash has uncovered the laundering of close to \$US 3 Billion. 21 representatives from the Brazilian lower house of congress are under investigation – the most noteworthy being Eduardo Cunha, the Speaker of the House and opponent of the Workers' Party, who was recently removed from office. A third – 24 – of Brazil's 81 senators have also been connected to the scandal. Overall, nearly 500 people at various levels of the Brazilian government and from political parties across the political spectrum are connected to the laundering scheme. As extensive as this scandal is, neither Dilma herself, nor the Workers' Party, is directly implicated. This hasn't stopped the Brazilian press from insinuating the opposite. As a result, Dilma's approval rating is in the single digits. Within government, few have the ability or legitimacy to come to her defense. That her impeachment has taken place has less to do with the violation of Brazilian legislation concerning budgets (Scandal 1) than with the fall in popular and governmental support for her administration that came after Operation Car Wash began. (Scandal 2)

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### Dilma's Impeachment is a Coup

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On the left, Dilma's supporters have called the impeachment a coup. For anyone familiar with the history of Latin American politics, coups historically involved a country's military taking power with US support (see: Guatemala 1954, Brazil 1964, Chile 1973 a few cases). This makes the current political predicament seem not like a coup. Unlike the ousting of the Honduran President Zelaya in 2009 with US-backed military support, the Brazilian military has been absent from Dilma's fall. The US government has not condemned the impeachment, meeting with high ranking members of the opposition while events unfolded. The coup allegation makes more sense if we consider that removing the Dilma administration from power will result in the accompanying replacement of various Workers' Party officials from power. If Dilma goes, so potentially do the high-ranking appointments she has made throughout government.

#### Brazilian Left Supports Dilma

The Workers' Party, especially over the last ten to fifteen years, has had a lukewarm relationship with various leftwing movements and actors – popular movements such as the

Landless Workers' Movement (the Movimento dos Trabalhadores Rurais Sem Terra, or MST) regularly criticize the PT's failure to redistribute land and challenge agribusiness, while other, more leftist elements have left the party to form more radical electoral alternatives. Large-scale public works projects in the Amazon, with Workers' Party support, have drawn condemnation from environmental and indigenous activists. Still, the Brazilian Left has rallied behind Dilma, not so much for what her administration has done, but for the potential repeal of social programs, privatization of public enterprises, and deregulation that would accompany her opponents' rise to power.

#### The Boom and Bust Cycle

The economic crisis that underpins the corruption scandal also cannot be overlooked. Since 2000, Brazil's primary sector has experienced what can be considered a “boom.” Agribusiness exports, principal of which is soy, have grown exponentially, along with the sale of iron ore and crude oil. Agribusiness exports, which are essentially not taxed, provide the government with foreign currency reserves. Unlike grain exports, royalties from the mining and oil and natural gas industries

supply various levels of government with revenue for everything from welfare policies, to infrastructure construction. Various municipalities in Rio de Janeiro, for instance, rely on the oil and natural gas industry for around half of their budgets. The discovery of vast off-shore oil and natural gas reserves in 2007 (known as the Pre-Sal) saw the creation of new laws that increased the governmental share of royalties. The primary sector boom around 2010 went bust. The subsequent decrease in oil, natural gas, and mining sales, which can be traced to the contraction in the Chinese economy, led to shortfalls in budgets at the local, state, and federal levels. North Dakota is familiar with the boom and bust cycle in the oil and natural gas industry. The difference is that in Brazil the negative effects from the fallout are felt more extensively throughout society.

#### Addressing the Current Crisis

In yet another contradiction to add to Brazil's many others, many rightwing, conservative opponents of the PT administration carry the banner of anti-corruption while also being under investigation. The real contradiction, however, lies with the natural resource economy – government revenue and spending for mass, public projects requires royalties controlled by a select few elites. Economic fallout, in large part due to the bust of the natural resource economy, undergirds the current impeachment crisis. That Petrobras – an oil company – is at the center of the crisis should not come as a surprise. Concentration and corruption have long been associated with the fossil fuel industry, in Brazil, the United States, and elsewhere. The current crisis can only be seriously addressed with opposition to both the fossil fuel industry and neoliberalism.