

The Empowerment of Liberalism in Brazil

Gabriel Lima

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Introduction

Brazil has seen an enormous increase of liberal ideologies in the last few years, resulting in the creation of new political parties defending liberal ideologies, for example Partido Novo, and even in the election of a more liberal president – Jair Bolsonaro promoted himself as economically liberal during the recent election.

This liberalization of Brazilian politics is a result of many unsuccessful left wing governments that have failed to achieve their promises, especially in economic terms. These governments have also been involved in major corruption scandals, such as Operation Car Wash and Mensalão, and were not successful in continuing previous right and left wing economic and governmental prowess.

In this paper, I intend to analyze the effect of Dilma Rousseff's mandates (2010-2014, 2015-2016) in the increase of liberal ideas in Brazil. In order to contextualize Brazil's economic and political situation before her first mandate, I will briefly analyze previous governments and their effects on her actions. I will introduce Dilma and her political measures, which resulted in her Impeachment during the second mandate. Lastly, I will explain how the liberal ideology has been increasing in Brazil as an adversary of her choices and actions as president, giving examples from the 2016 and 2018 election.

Section 1 – Brazil's Rise (1995 – 2010)

After many years struggling with political crises, economic recess and inflation, an evil that is implanted in the Brazilian mindset, Fernando Henrique Cardoso (FHC) was elected after his success with Plano Real, which instituted the current Brazilian currency, during Itamar Franco's government (1992-1994). In 1995, Brazil was finally on track to becoming the economic power it was expected after many years of recess.

FHC policies defended the continuation of the Plano Real, which had proved to be a success. He also decided to follow a more neoliberal policy by privatizing public companies and inviting foreign investment to Brazil. He was successful in controlling the inflation, which had been part of the Brazilian society since the military regime. Even though unemployment was on the rise close to the end of his first term, FHC was the first president to be reelected, defeating Luiz Inácio Lula da Silva (Lula) in 1998, after reelection became legal during his time as president.

During his second mandate, he created educational policies to universalize Brazilian basic education and created social programs that would later be developed and incorporated by following presidents. He left office with low popularity indexes mainly due to this neoliberal policies and problems in the national energy system that resulted in blackouts all around Brazil, even though he was able to maintain an average 2.42% GDP annual increase along with a 7% per capita income increase during his terms.

Boosted by the FHC's low approval rate, Lula finally was able to win an election in 2002, after defeating José Serra, from the same party as FHC. Lula was able to continue FHC's economic prowess, while investing heavily in social programs. Inflation was controlled and even during the 2008 crisis, Brazil was able to resist, with an unbelievable 0.2% GDP retraction in that year, showing the economic endurance implemented by Lula's team. Lula also created many educational programs, especially in the

university level, allowing poor people to attend university. As the British *The Economist* published in 2009, Brazil finally took off under Lula's government [6].

Lula's government was marked by social development. In 2010, Brazil was recognized as the country with the most advances in poverty reduction and income distribution. Bolsa Família, an income distribution program that remains as a pillar of Brazil's politics, was created by unifying FHC's social programs, expanded and still remains as one of most successful social programs in history. As covered by *The Economist*, "an anti-poverty scheme invented in Latin America is winning converts worldwide" [4], and by the French *Le Monde*, "Bolsa Família expands access to education, which is the best tool, in Brazil or anywhere in the world, for fighting poverty" [19], Bolsa Família is still one of the most important government programs in Brazil.

Lula was reelected in 2006 and was able to continue his success, with economic growth and social development. However, Lula's government was stained by corruption, especially by the Mensalão scandal and Operação Lava Jato (Operation Car Wash), which eroded during his successor mandate. With an approval rate of 87%, Lula set the path to Dilma Rousseff, his successor, to win the election in 2010. Unfortunately, Dilma was not able to maintain Lula's success.

Section 2 – Brazil's Fall (2011-2018)

Dilma Rousseff, who participated in Lula's government as a minister, was selected to succeed and maintain Lula's prowess in the most diverse areas of society, especially economically and socially. During her first term, she was able to maintain inflation and unemployment under control. She also created growth acceleration programs in order to compensate for the worldwide economic crisis that started in 2008, decreased interest rates and focused on trade among Latin American countries.

She was reelected in 2014 by a smaller margin than in 2010, but Brazil was bound to failure. Her policies were not able to contain the economic crises, creating a political crisis in which she lost congress support. Brazilians went to the streets against her government, gathering more than millions of protesters. Figure 1 shows the evolution of inflation and unemployment under her government and after her impeachment. It is easy to note the increase in both indexes.

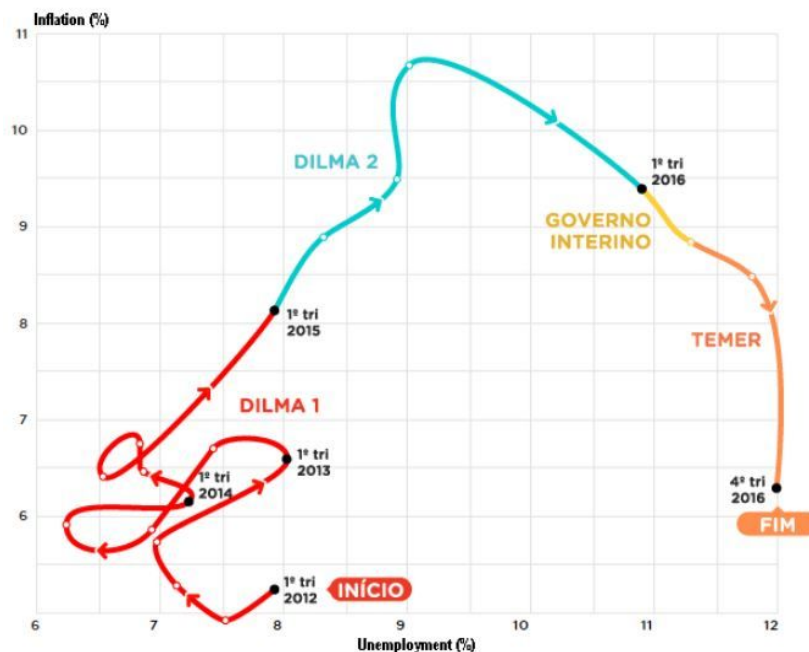


Figure 1 - Inflation and Unemployment during Dilma's mandates before and after the impeachment. [11]

Economists affirm that Dilma tried to maintain the GDP growth rate Lula was able to keep for a few years, reaching 7.5% in 2010, without taking in consideration that those gold economic years were about to end and a small recession was about to arise. She repeated the same policies Lula implemented during his second mandate, such as the interest rate reduction, which caused inflation to inflate quickly. It is also important to add the fragility of the national industry that could not compete with cheaper imported products, especially from China, due to the high demand of products.

Dilma was elected with the biggest coalition in Brazilian history, but was still able to lose support in congress. She failed to coordinate political conflicts and isolated her vice president, Michel Temer, from the majority party in congress, leading later to her impeachment process.

Brazilians again were feeling the effect of inflation, which brought fear that previous governments' failures could come back. Unemployment rose constantly. Crime was out of control; Brazil had more than 60,000 murders in 2016 (an increase of 27.5% from 2000), which led the vice president, Michel Temer, who took office after Dilma's impeachment, to use the army to fight crime in Rio de Janeiro. Dilma's approval rate, which was around 70% when she first took office, decreased quickly to 5%, the rate right before her impeachment.

All of these failed policies were made worse by the corruption scandal known as Operation Car Wash. This operation intends to investigate a money laundering scheme that handled billions of dollars in kickbacks involving politicians, such as senators, congressmen, Michel Temer and Lula, and major Brazilian companies, such as Petrobras and Odebrecht. Operation Car Wash has recovered over 4 billion dollars, is still underway and had its peak during Dilma's mandate.

In order to represent this economic recession and political crisis, The Economist again printed Brazil in its cover; however, this time with the title "Has Brazil Blown It?" [8]. With the lack of political alliances and public support, Dilma found herself alone in the middle of an impeachment process under the premise of fiscal pedalling. Even though fiscal pedalling is a crime susceptible to impeachment under Brazilian law, Dilma only was set to leave for political purposes (all presidents before her committed the same crime, in smaller levels, and did not get impeached). Michel Temer, her vice president, which contributed to the impeachment process (both the House leader and the Senate leader were from Temer's party), took office in August 31st 2016.

Section 3 – Liberalism in the current Brazil

Alongside Dilma's government, many right-wing and liberal movements gained power and influence. These movements took advantage of the government's failure and corruption scandals to defend the Operation Car Wash and Dilma's impeachment, mostly pushed by the easy accessibility of social media. Movimento Brasil Livre (Free Brazil Movement) has more than 3 millions likes on Facebook and was the main organizer of the biggest anti corruption parade during Dilma's government, which gathered more than 7 million people on the streets. These groups promote liberal ideas such as the opportunity to undertake new business, meritocracy and the identification of the government as the main enemy to the population.

A research [16] done in Brazil indicates that 56% of Brazilians believe that individual effort makes the country grow economically, instead of being result of policies created by the government. The same research also indicated that 64% of Brazilians consider private services better than public ones and 54% would prefer if these services were controlled by the private sector.

As a matter of fact, the first big policy imposed by Michel Temer as president was PEC-241. This constitutional amend freezes government spending for the next 20 years in order to compensate the enormous government expenditure and debt that Brazil has been acquiring during past years. According to IMF [13], the public debt in Brazil should hit the 87.3% of GDP in 2018 and 100% by 2023. In 2017, government expenditure was over 32 billion dollars higher than the government revenue, which has been a trend since 2014 with a negative peak of 42 billion dollars in 2016 [9]. The Brazilian government has not been able to controls its finances and Brazilians now often defend the decrease in government power and influence in economic matters.

The increase of liberal ideas can also be seen in last two elections. In São Paulo, Brazil's biggest city, João Doria was to be the first candidate to be elected mayor in the first round in the history of the

city. By the start of the election, Doria ranked 5th in the polls, with no more than 6% of intentions; however, he acquired 53.29% of votes in the first round, marking his name in the history of São Paulo's politics. A former entrepreneur, Doria defended liberal ideas in the election, especially when talking about entrepreneurship. He defended privatizations, concessions and partnerships with the private sector, the stagnation of taxes and business debureaucratization. Not only he was elected mayor of São Paulo, but in 2018, he was also elected governor of the state of São Paulo by defending the same policies but in a state level.

Impulsed by the negative image of the government, Partido Novo, a party founded in 2011 has achieved great results in its first two elections with a liberal speech. In the regional elections in 2016, it acquired four legislative seats in state capitals. As for the national level elections in 2018, the party was able to reach 5th place in the presidential election with 2.5% of votes, in front of candidates from big and traditional parties. Partido Novo, still in 2018, elected 12 state congressman, 8 federal congressman and the governor of Minas Gerais, the third biggest state economically and populationally. Partido Novo is the most liberal party in Brazilian politics, rejecting public money for campaigns and coalizations while defending individual liberties, incentives to entrepreneurship, economic freedom, public spending reduction and the end of politicians' privileges. Partido Novo was able to reach such place in the political scene in such short amount of time by defending the reduction of the government, liberal ideas and is now a contender for more seats in the following elections, propelled especially by social media campaigns (Partido Novo is the party with the most likes on Facebook).

Last but not least, the increase in liberalism in Brazil can be seen in Brazil's elected president, Jair Bolsonaro, economic advisors. Jair Bolsonaro, a seven-term congressman, is known by his conservative views, both socially and economically. As a matter of fact, being a politician for 32 years should not change one's opinion about the government's role over economic issues to one that defends privatizations and smaller government interference; however, Jair Bolsonaro took the opportunity to

jump into the liberalism bandwagon, started defending the reduction of the government in the economy and chose Paulo Guedes as his Minister of Finances during the election campaign. Paulo Guedes, a Ph.D from University of Chicago, is a stronger defender of liberalism, privatizations, tax reform and simplification. Bolsonaro, and his shift to economic liberty, is the definition of the increase of liberalism in Brazilian politics: in order to acquire votes from all the electors that are bothered by government failures in economic sectors, Bolsonaro sold his own economic ideals.

Conclusion

Liberalism has been a part of the political and economic scene of Brazilian politics due to the dissatisfaction of the population with the current political scene. Corruption, inflation and unemployment are on the rise, and the only solution at hand for Brazilians is to decrease the role of the public sector and politicians in economic issues.

With the surge of liberal political figures and parties in the last two elections, Brazilians have found an alternative to the old politics that have shredded the country into pieces for the last 8 years with corruption and bad administration along with political and economic crises. Liberalism, in the current situation, is the hope Brazilians have found to fight the enormous and inefficient government that has led Brazil to its fall.

Only time will tell if Jair Bolsonaro will be able to keep his promises and set Brazil back on track. Unfortunately, according to The Economist, "A lot of reform is needed. Mr Bolsonaro is not the man to provide it" [18], but his economic team might be the light at the end of the tunnel for a country that has suffered from economic recession for the last few years. Paulo Guedes and his team have the responsibility to make Brazil take off again.

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