



Brazil's Populist Pendulum:

The outcome and lessons from the failure of populism in Latin America

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Comparing Brazil and Africa



Overview

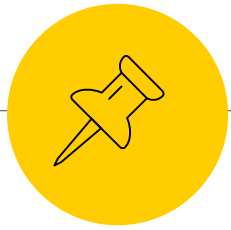
Brazil

Africa

GDP	\$2.2 trillion	\$2,4 trillion
POPULATION	205 million (median age = 32yrs)	1,35 billion (median age = 19yrs, 77% under 35yrs)
URBANISED	80%	40%
PER CAPITA INCOME	\$9,900	\$2,000
ECO-GROWTH 2000 – 2015:	2.5%	5.1%
2018:	1.1%	2.5%
2019:	0.8%	3.0%
2020:	2.0%	3.6%
INVESTMENT (FDI estimate)	\$35 billion	\$50 billion
GINI INDEX	52	63 (South Africa)
LITERACY	90%	65%



**Brazil a decade ago:
the “country of the future”
had arrived**



2011 Brazil: The country of the future

ECONOMY

- GDP: +/- \$2.5 trill
 - Larger than collective Africa, India and Russia
 - Overtook Britain as 6th largest in the world
- Strong growth between 2003-2010
- 7.7% eco growth in 2010
- Unemployment at an all time low
- 3rd largest food exporter
- A big oil exporter by 2020
- Preparing for Fifa World Cup & Olympics
- A huge market with big companies and growing brands

SOCIAL POLICIES

- Translated into greater equality
- Election of the first female President
- Real middle class had grown by 50 million in 15-yrs
- Gini fell from 0.6 to 0.53 (2001-2011)
 - New Challenges: 74 million rely on govt programmes
 - Bolsa Familia reached 12 million families (quarter of the population) by 2015



Then... Brazil blew it

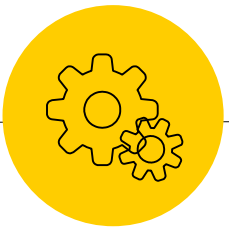


Brazil's economic demise

- Economy shrank by a third (\$1.7 trillion)
- GDP growth: -3.5% (2016), - 3% (2017), 1.3% (2018)
- Inflation breached 10%
- Unemployment: 15%
- Worst recession in 50yrs
- Strain on public finances after the commodity boom
- Dismal infrastructure
- Companies face the world's worst tax burden
- Erosion of biggest corporations – record losses

Brazil's political demise

- Bloated state
- Biggest protests of that generation
- PT won elections end of 2014: Dilma most unpopular president
- Political institutions collapsed, impeachment followed
- Enter Michael Temer: Aug 2016
- Crisis of political legitimacy: Corruption and convictions
- Enter the wild-cards: Bolsonaro
- Starkest shift to the political right since the country's return to democracy 35 years ago.



State capture:

Operation Carwash:

“Biggest corruption scandal in world history”

- Hundreds of investigations and arrests into business leaders and politicians
 - Odebrecht CEO, Marcelo Odebrecht, and Pres. 'Lula' da Silva
- Petrobras, at centre of the scandal, admitted to paying \$2.5 bill in bribes
- Others like Odebrecht, OAS, JBS (worlds biggest meat company) total value of graft exceeds \$10 bill

WHAT IS LAVA JATO?

IT WAS CREATED TO FIGHT CORRUPTION AND MONEY LAUNDRY

THEY REVEALED A CRIMINAL NETWORK THAT INVOLVED MORE THAN 250 COMPANIES, 170 BUSINESSMEN, 13 POLITICAL PARTIES, 176 PUBLIC SERVERS, 121 SHELL COMPANIES, 19 DOLEIROS, 9 FINANCE OPERATORS, 7 ILLEGAL MONEY CARRIERS.

HOW THE SHAM WORKED

1. CONTRACT AND LOAN SIMULATION
2. POLITICAL PARTY FINANCING
3. FOREIGN BANK TRANSFERS TO FAKE BUSINESSES
4. CASH PAYMENTS, PROPERTIES AND MERCHANDISE
5. CURRENCY EXCHANGE "DOLLAR GAPE"

BRAZIL'S RESOURCES



Brazil's presidential saga:

Corruption, Impeachment & Populism



**Luiz Lula Da Silva
(2003-2010)**

- 2003: Inaugurated. Paradigm shift. 4th time lucky
- 2006: Wins second term
- 2011: Most popular to leave
- 2017: Sentenced to 12 years in prison for corruption and money laundering



**Dilma Rouseff
(2011-2016)**

- 2011: Inaugurated, first female president of Brazil
- 2011: 25+ Ministers and staff resign over corruption
- 2014: Wins second term by a narrow margin
- 2016: Impeached



**Michel Temer
(2016-2019)**

- 2016: Sworn in as acting president, broke from PT-led coalition, stabilise
- 2017/2018: Implicated in a range of corruption charges
- March 2019: Arrested and released



**Jair Bolsonaro
(2019-Present)**

- 2018: Controversially elected right-wing populist
- 1 Jan 2019: Inaugurated
- 2019 record?

Brazilian paradox

A History of 'them and us'

World class institutions, programmes and teams of excellence have proven insufficient to bring the bulk of the population into the mainstream.

Three overlapping tensions:

1. A tension between nationalism and liberalism

Closed vs open to the global economy.

2. Contradiction between a caring and inclusive society

The economic exclusion of millions: Race, North-South divide etc.

3. The national slogan of "Order and Progress"

But periodic volatility and policy setbacks.

Constant search for economic solutions through political change, resulting in populism

How populism fails





What is Populism?

A style of leadership, a category of political behavior, economic policy making...

It is **both** political and economic in nature.

The land of the populists



The land of the populists

Cyclical rise and fall of populist leaders...and subsequent free-fall of their economies.

Deep sense of circularity, recurring tragedy of politics and development

Since the first true nationalists of the 30s and 40s (Vargas and Peron) there have been **three distinct waves of populism**. We are now in the forth.

What lies behind populism?

Antagonistic political mobilisation: **Good vs Evil.**

Political opponents are 'enemies' not democratic rivals.

- Personalistic/charismatic leader who 'embodies the people'
- 'Above' conventional checks and balances
- Bypass/eradicate institutions and processes through popular support.
- Captures the state for the purpose of THEIR project and a personal outcome

The populist process:

Authoritarian democracy to autocracy and ultimately the death of democracy

**Populism Destroys the two basic norms of democracy:
Mutual tolerance and institutional forbearance**

What lies behind populism?

They are **NOT democratic innovators**...They simply service a new elite

Preconditions:

1. Inequality
2. Fault lines and intolerance
3. Poor political representation
4. Economic instability and lack of opportunity
5. Fragile institutions

Economic distress and psychological distress

The shapes and shades of populism

Very different sorts of populism. We do ourselves a disservice by lumping them together.

Spans the ideological spectrum.

It is **'thin centered'** – not ideologically grounded, with little substance around policy and outcomes.

Populism is about campaigns and rallies for the people against the system.

Three types:

- **Classical (Nationalists - Peron)**
- **Neoliberal (Fujimori)**
- **Radical (Chavez)**

Argentina

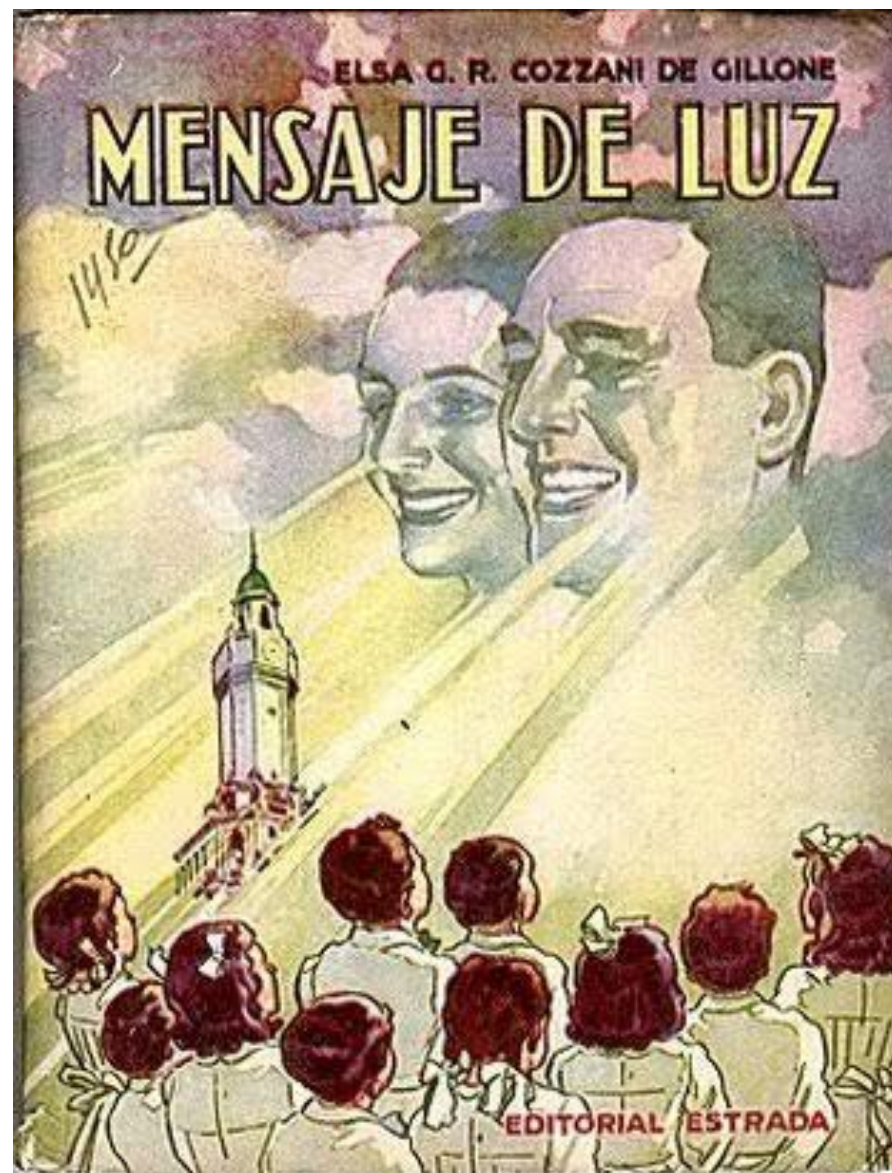


Mamá y papá me aman.



Perón y Evita, nos aman.

"Mom and Dad love me.
Peron and Evita, love us"



Rolling back to populism?

- **Economic instability, recurring crises...**perpetual defaulter: 6th economic crisis since the 1980s
- Traditional estate based society, wealth and power tangibly evident in land ownership
- The struggle of the peasants and rural class – The Shirtless ones
- **Recent elections:** A replay of the perpetual Argentine tragedy Fernandez-Fernandez victory
- A Fernandez-Fernandez victory: Return of Peronism...**Return of the populists?**

Peru

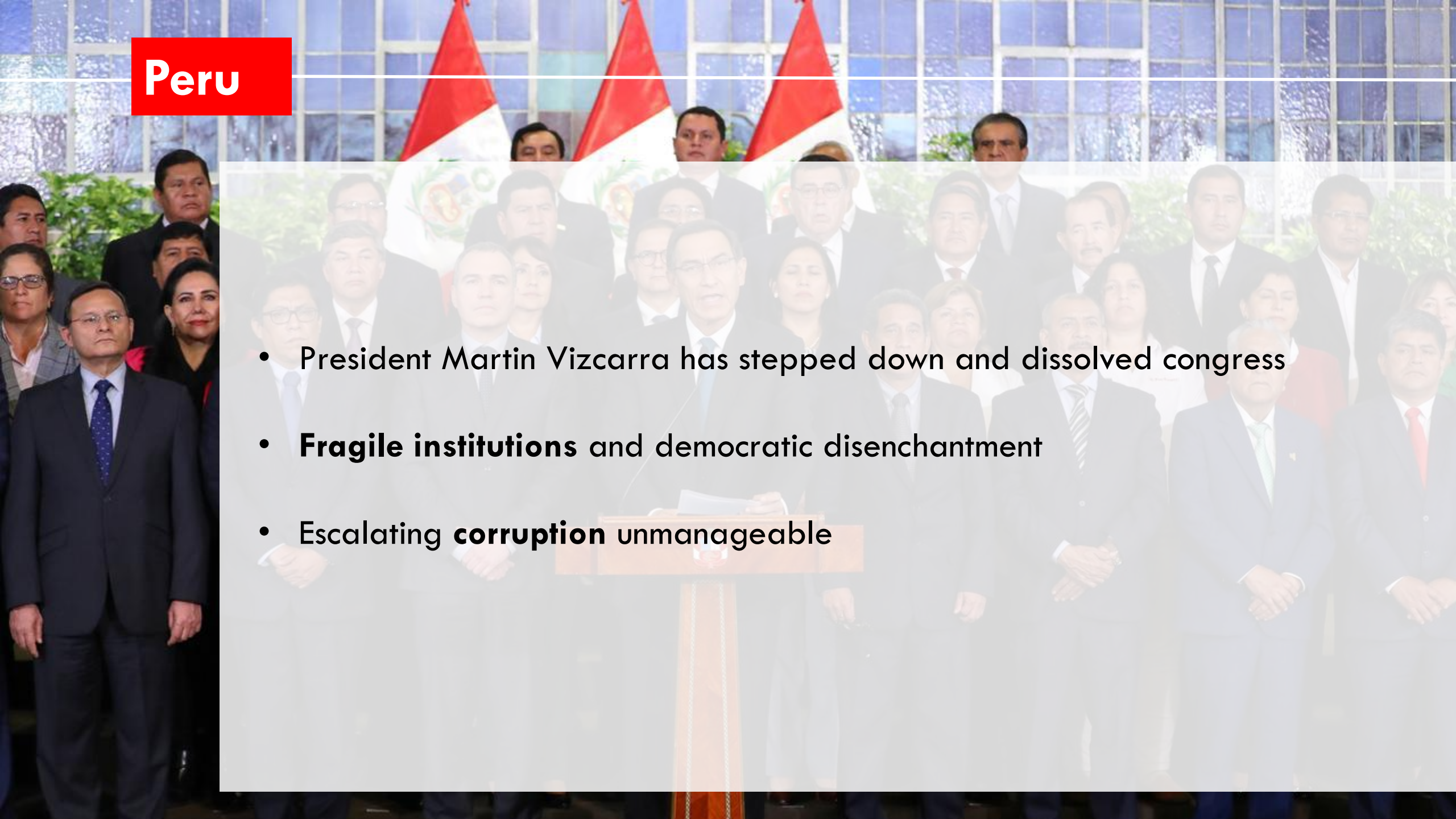


Alberto Fujimori: “A President like you”

Neoliberal Populist



Peru

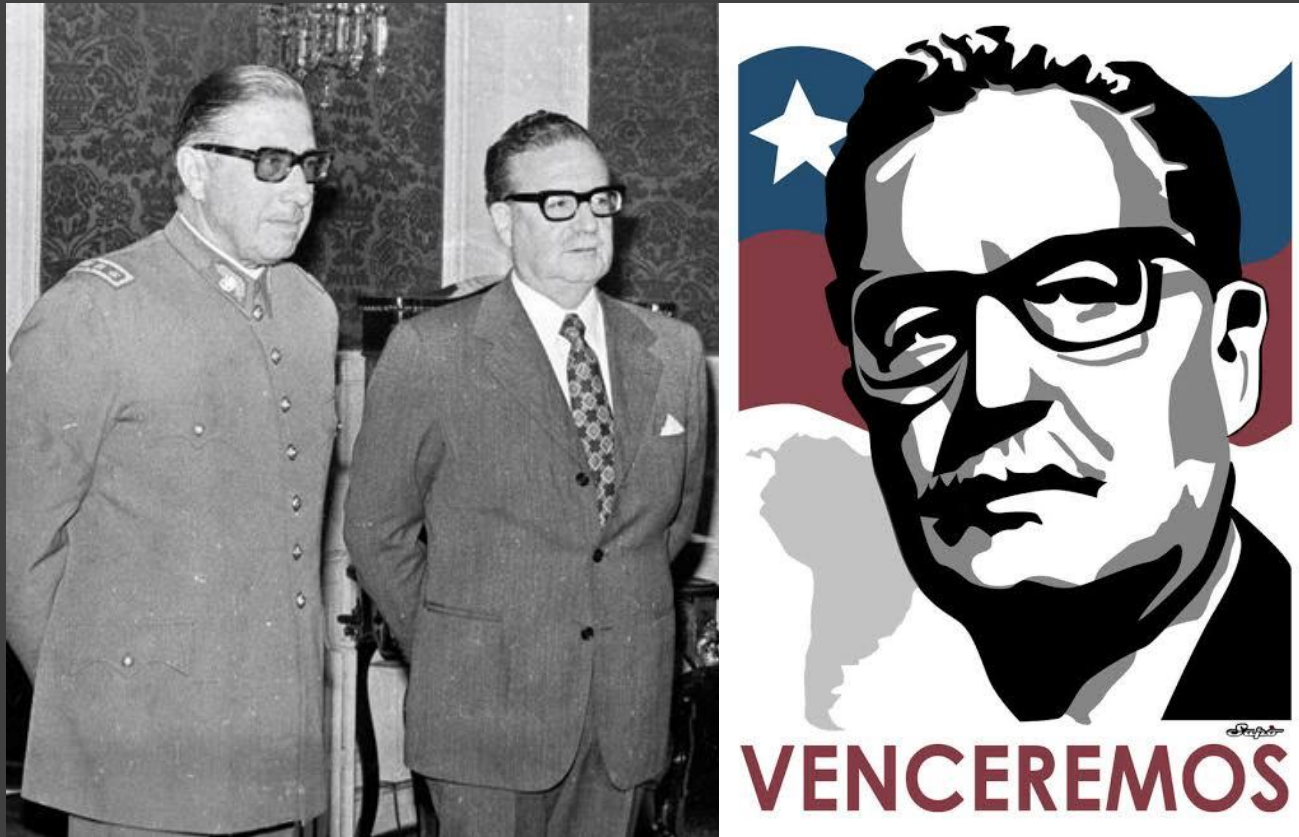
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- A large group of men in suits are standing in front of a building with large windows. Three Peruvian flags are visible in the background. The image is semi-transparent, allowing text to be overlaid.
- President Martin Vizcarra has stepped down and dissolved congress
 - **Fragile institutions** and democratic disenchantment
 - Escalating **corruption** unmanageable

Chile



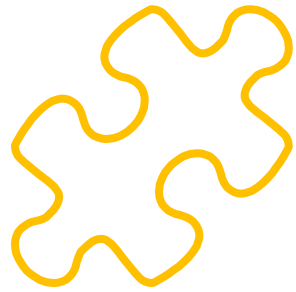
Salvador Allende

Radical Populist



Santiago under siege: Why?

- Most advanced country, with **economic excellence**, is burning
- Symbolic of **ongoing inequality**, despite growth
- Lacking the democratisation of opportunities
- Beware of populism...rather a few tweaks to the Chilean model



Why does populism reappear in some nations and not in others?

Mexico



Mexico

- President Andres Manuel Lopez Obrador (**AMLO**): Dramatic shift to leftist populism following PRI domination, departure from the political elite
- Promised a **'profound and radical'** transformation of Mexico from traditional politics of exclusion
- One year of AMLO: Results?
- **Violent crime, Narcos and Cartels**

Venezuela's implosion

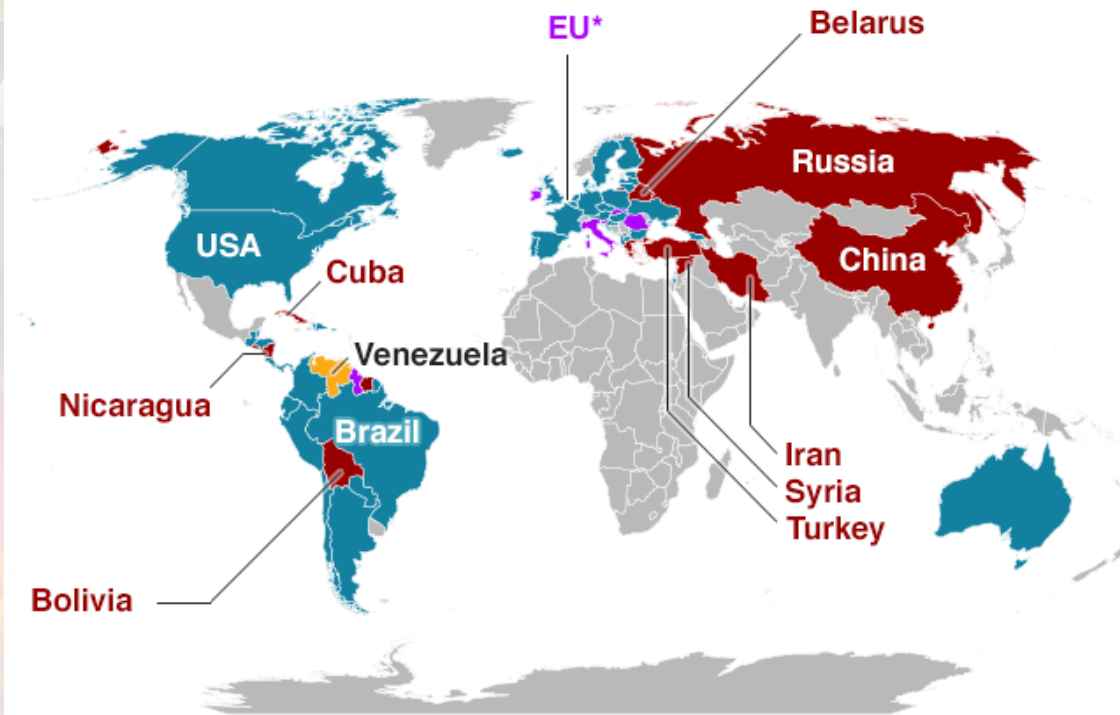


Venezuela's implosion

- From **Chavez to Maduro**, policies transferred without charisma or oil
- First **failed state** in modern Latin American history, with severe regional implications
- Man-made disaster of over 1 000 000% inflation, extreme poverty and crime, and 20% of population migrated
- Poverty is double the level 20 yrs ago
- **Who is the President of Venezuela?**

Where do countries stand on Venezuela?

- Support Maduro
- Recognise Guaidó as interim president
- Calling for new elections



The economic failure of populism

Devastation is manifested in its economic outcomes:

ISI model, decoupling from global markets.

Undermines competitive inclusivity and abandons essential policies of growth.

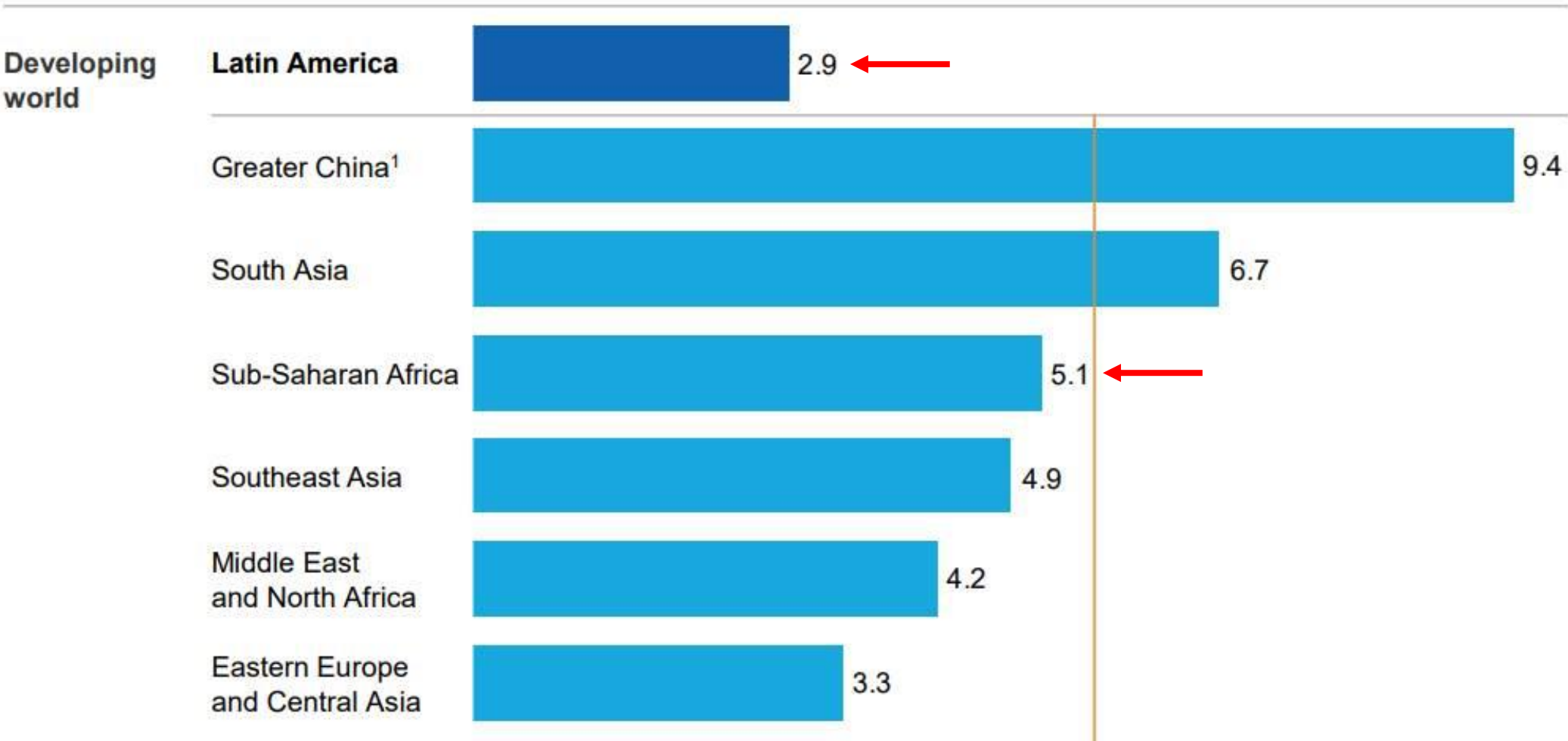
In the end: Deeper divisions, drastic setbacks in local production and exports and deeper reliance (dependency) on credit and external assistance.

Four recurring phases of populist economics:

1. Vindicated through a spurt of growth and prospect of inclusivity;
2. Bottlenecks and inflation;
3. Pervasive shortages, more inflation, capital flight, budget deficit and unsustainable subsidies;
4. Reintroduction of orthodox stabilization measures, supported by external agencies

Slower Growth

GDP growth per region, 2000–15
Compound annual growth rate
%



Lessons for Africa



- Prone to the **allure of populism**
- Thrives in **fragmented societies, fragile democracies**
- Where there is a history of division and inequity – institutionalized. Landlords vs the disenfranchised.
- Economic instability
- Demagogic-styled leaders suggest **Africa is prone to populism**

This is a crucial stage of the African development story

How we can learn from the failures of populism

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