



## Brazil's Turmoil as a Sign Democracy Is Working?

*Brazil's political system is in upheaval and its economy in a deep rut, but anticorruption investigations and convictions suggest the judicial system—and thus democratic institutions—are functioning quite well, says Monica de Bolle.*

*Unedited transcript of interview recorded March 22, 2016. © Peterson Institute for International Economics.*

Pedro da Costa: Hi, I'm Pedro da Costa, editorial fellow here at the Peterson Institute for International Economics. I'm joined by Monica de Bolle. She's a senior fellow here. We're going to talk about our country, Brazil, whose situation has been deteriorating. But I think she sees some rays of sunshine. So tell us about what's been the latest development since we last spoke.

Monica de Bolle: Let me try to see some rays of sunshine. We just had a very turbulent if that's the word—I don't even know if that's the word—week. That was last week; many, many things going on, the president trying to appoint former president Lula as a minister in order apparently for him to escape justice given that he's being investigated under the corruption probe. And that just set forth a huge backlash against both her government as well as the former president. There were some audios that were released by the justice system in Brazil. These were audios concerning former president Lula whose phones were being tapped. And in those audios, there are some very, very serious conversations going on basically that infringe on the workings of Brazil's institutions. It was just a very, very messy week.

Pedro da Costa: Very soap opera-like.

Monica de Bolle: Yes, very soap opera-like. But I think in the midst of all these, one thing that comes out and I think in some sense has been incorrectly interpreted is that Brazil is not facing a constitutional crisis. There's no constitutional crisis in Brazil. There's a very serious political crisis. There's a very severe economic crisis. But the constitution is just fine. This is precisely why things are so turbulent because you have, you know.

Pedro da Costa: The justice system is working, right?

Monica de Bolle: The justice system is working and it's going after some very, very big people including people who have been former presidents, people who are current presidents, people who are sitting ministers, people who are sitting senators, people who are former presidential candidates. It's a big deal.

Pedro da Costa: Pretty much the entire political system.

Monica de Bolle: Pretty much the entire political system. So given that these things are taking place, they're taking place in a very transparent way. Everyone's being kept informed. Everyone can see what's going on. Brazil has a free press. So the press is reporting constantly on these things.

Pedro da Costa: So as chaotic as this is, it's also a sign of a thriving Brazilian democracy.

Monica de Bolle: Exactly. Exactly. And a maturing one that we hope will come out of this eventually.

Pedro da Costa: Now, on the Lula issue, did his appointment to this supposed ministerial position, did it get blocked in the end or is he going to go through? What's the status?

Monica de Bolle: It did get blocked by one justice in the Supreme Court. But for him to actually be blocked, the Supreme Court as a whole needs to evaluate this justice's decision. And that will only take place on March 30th because the Supreme Court is in recess this week due to the Easter break.

Pedro da Costa: And so, has the economic outlook been deteriorating in the meantime? I mean does the stasis lead to a further deterioration of the outlook or are we kind of in the same muck that we were before? And what do you see going ahead?

Monica de Bolle: Well, I think we're becoming increasingly binary here. On the one hand, if the process continues to be as turbulent as we saw last week and if there are more things coming out of the corruption probe that involve possibly the current vice-president who is due to become president if President Dilma is impeached, by the way. One of the things that happened last week is that finally the lower house installed the special commission that's going to analyze the petition, the impeachment petition against President Dilma. So that process is moving along.

It's moving along according to the rules that were set by the Supreme Court. So, again, there's due process being followed which is very important. So this is ongoing. So if she is impeached, the vice-president would become president. There are questions. There are no allegations as of yet. His name has not appeared anywhere. But given that the corruption probe is so wide ranging—

Pedro da Costa: Nobody has seemed to be completely—

Monica de Bolle: No one has seemed to be completely immune to appearing or having their names appear somewhere.

Pedro da Costa: So if things do happen fairly quickly, then what's the best-case scenario that Brazil can hope for?

Monica de Bolle: The best-case scenario is one where the vice-president is completely out of this whole scandal and he takes over. There's an impeachment that happens fairly quickly probably within the next month and a half. That's the best guess for how fast this could move. So, assuming that takes place, then he takes over with a new government. The best scenario is that he appoints a very technocratic government, so a government filled with people that are seen as very, very capable and very technical, not political appointees but technocrats.

And then you can start to see a way out because even if the situation in Brazil is extremely serious and nothing is going to happen, there's no magical recovery that's going to happen all of a sudden. You would start to see a way out or at least something being constructed over the last—the next two and a half years or so that are left.

Pedro da Costa: A sense of confidence at the very least.

Monica de Bolle: Yeah. Confidence at the very least will come back. And then things might gradually start

moving along until we have the elections in 2018. That's the best scenario one can hope for. If that scenario happens, then all of these doomed scenarios for 2016, there are people already talking about this year's recession being as GDP falling by as much as 6 percent, maybe higher. There are people out there with these kinds of scenarios. Those kinds of scenarios will go away. I mean this said the economy will still contract quite sharply this year but not 6 percent. I mean mostly it's something close to what the result was last year which was close to 4 percent. And then perhaps we start to see things moving a little better in 2017 in this best case scenario.

Pedro da Costa: But, again, I assume you can't rule out a more projected political process and a muddling through if you want to reuse that term that's been so often used in Latin America.

Monica de Bolle: Exactly, no. You can't rule out anything at this point. The situation is extremely unpredictable, extremely fluid. We had a sample of that last week how fast things move. I mean just between Wednesday and Friday, there were so many things going on that it was hard to follow the news even and to keep up with what was going on. At one point, Lula was minister. Five minutes later, he wasn't. Five minutes later, he was. Five minutes later, he wasn't. It was that kind of extreme unpredictability that took hold. And that can still happen.

Demonstrations are happening around the country. There are anti-government demonstrations that took three and a half million people to the streets last Sunday, not this Sunday but the one before. Then that was followed by another demonstration on Friday that took 270,000 people to the streets. This was a pro-government demonstration. So there is a lot of social I won't call it upheaval because it hasn't come to that. The demonstrations have been peaceful. But there is a lot of social tension and a lot of movement that you see happening in the streets.

Pedro da Costa: Okay. Thank you so much. We'll be back here sooner than we hope talking about this.

Monica de Bolle: Probably. Thank you.



