Assessing the First Six Months of the Bolsonaro Administration in Brazil

On July 1, 2019, exactly six months after Bolsonaro's inauguration, the Brazil Institute held a discussion with Maurício Moura, Andrea Murta, Monica de Bolle, and Thiago de Aragão on the Brazilian government's performance in the first semester of 2019. The event also served to celebrate the release of *A eleição disruptiva: Por que Bolsonaro venceu* (The Disruptive Election: Why Bolsonaro Won), in which Maurício Moura and Juliano Corbellini examine how a relatively unimportant, far-right congressman came to be president of Brazil, and what that means for the government and its agenda.

Paulo Sotero, Director of the Brazil Institute, opened the event, noting that although the current administration has been marked by "difficult, negative news," the recent trade agreement between Mercosur and the European Union offers a positive outlook. Other matters of importance from the past six months include the lifting of the United States' veto on Brazil's potential ascension to the OECD (a consequence of President Bolsonaro's visit to the United States in April), and the pension reform bill, brought to a vote in Congress by House Speaker Rodrigo Maia.

Sotero concluded that uncertainty has defined the first six months of the administration, particularly in the areas of foreign policy and legal protections for education access, gender equity, and environmental regulation; and in tensions within the administration. The Brazilian economy's poor performance and the decline in Bolsonaro's popularity only add to the unpredictability.

Maurício Moura, Founder and CEO of IDEIA Big Data, started by assessing the administration's initial performance based on Bolsonaro's approval ratings and the country's economic prospects. Twitter has played a central role in shaping public perception, and Bolsonaro's media activity—much like that of President Trump in the United States—influences how Brazilians understand the successes of the government.

Based on polling that asked respondents to evaluate the government's performance, Moura concluded that Bolsonaro has lost popularity since January 2019, with an 8 percent drop in those who think Bolsonaro's governance has been "very good or good," and a 13 percent increase in those

who believe Bolsonaro's performance has been "poor or very poor" since assuming the presidency. In particular, Bolsonaro has become less popular among Brazilians who voted for him as a rejection of the Workers' Party (PT), rather than for his policy proposals. These Brazilians are mostly middle-income residents of the northern and northeastern regions, whereas those in the southern regions are more likely to continue to support Bolsonaro.

Moura argued that Bolsonaro will struggle to maintain popularity given the country's poor economic performance. In June, just 30 percent of Brazilians believed the country's economy would improve—down from 62 percent in January. And although confidence that pension reform will pass has increased by 28 percentage points, the percentage of Brazilians who believe that pension reform will produce positive economic results decreased from 30 percent in January to just 24 percent in June. Moura argued that these low expectations could be good, as people do not expect pension reform to be a "silver bullet." However, Bolsonaro will need to address economic expectations soon, given that some 14 million people are unemployed, and it is a rare president who can maintain popularity in the face of a weak economy.

Moura noted that Bolsonaro's communication style is similar to that of U.S. President Donald Trump, in its reliance on social media, its unpredictability, and the focus on his base—the people who already support him—with minimal effort to speak to more moderate voters. Yet Bolsonaro lacks the strong economic backdrop that Trump enjoys. Moura also pointed out that Bolsonaro has spent little energy trying to forge a strong relationship with members of Congress outside his own party. Although Congress is generally open to doing business with the executive branch, given its power over the purse, the current administration has "brought the campaign narrative" to government, contributing to tensions between the establishment and political newcomers.

In closing, Moura noted that more detailed analysis on voter confidence and economic performance is available in his book *A eleição disruptiva: por que Bolsonaro venceu* (The Disruptive Election: Why Bolsonaro Won).

Andrea Murta, Director of North America Operations at JOTA, followed Moura with an assessment based on an extensive parliamentary survey carried out by JOTA. Bolsonaro made two

bets when he initially ran for president in Brazil: that he could win an election without the usual platform of policy proposals, television and media attention, and traditional party support; and that he could upend the way politics is conducted by revamping relationships with the other branches of government. According to Murta, Bolsonaro succeeded with the first but has fallen short with the second. His relationship with the other branches of government is contentious, and economic proposals are moving forward in Congress in spite of—not because of—the government.

The relationship between Bolsonaro and the Supreme Court remains tenuous. The Supreme Court's active role in the Lava Jato investigations helped set the stage for Bolsonaro's electoral victory. However, the Supreme Court has played a more reactive role under President Bolsonaro. The Court acts only if a piece of legislation is clearly unconstitutional, or if an attack on the Court requires an institutional response. The Supreme Court is "not in the business of creating issues for the government," and its responsibility is to facilitate relationships that will help the governance process move forward.
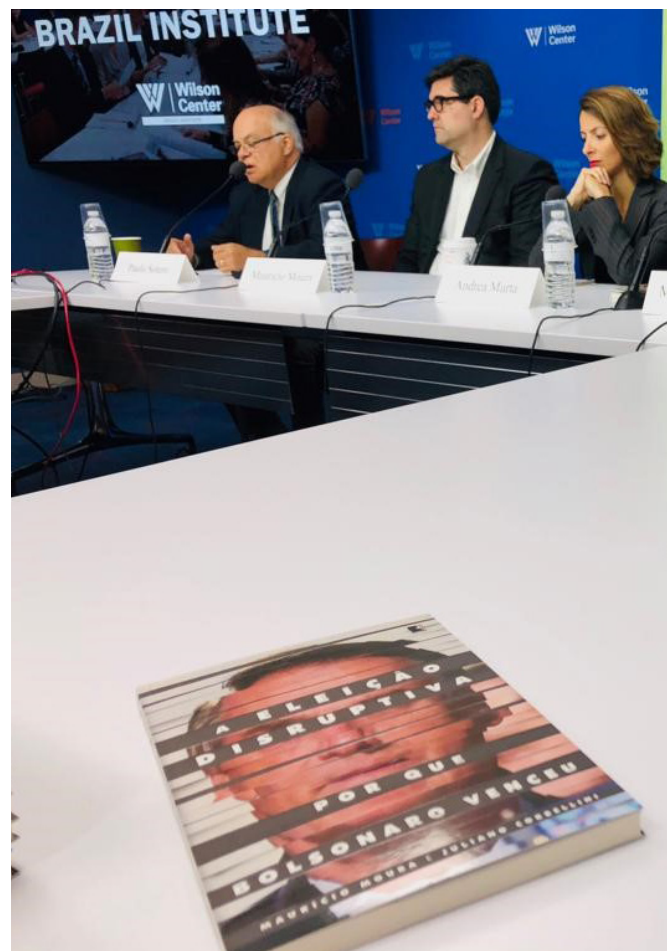
Left-right: Paulo Sotero, Maurício Moura, Andrea Murta, Monica de Bolle, and Thiago de Aragão

The Brazilian National Congress, on the other hand, has assumed a much stronger and more assertive role. Bolsonaro's push to set a new tone for the relationship has increased tensions between Congress and the executive branch, exacerbated by tweets and comments from the president and his sons criticizing the "old way" of doing politics. These divisions are apparent in JOTA's parliamentary surveys: in mid-May, members of Congress rated their relationship with the Bolsonaro administration as 3.94 out of 10 on average, which is similar to what JOTA saw right before the impeachment of former president Dilma Rousseff. The latest round of the survey shows Bolsonaro has recovered a bit, to 4.8 out of 10, due largely to the fact that he is now allowing certain political privileges associated with the traditional way of "doing politics" in Brazil.

Members of Congress rated the government slightly better for its capacity to govern—4.4 out of 10 in May (approaching five in the latest survey). However, Murta argued that this is due largely to the administration's "luck" in sharing an "agenda with the leaders of Congress," particularly on the issue of pension reform. In other words, Speaker of the House Rodrigo Maia is moving ahead with pension reform because he and his colleagues view it as necessary, not because he is trying to help the Bolsonaro government. According to JOTA's analysis, there is an 84 percent chance that pension reform will successfully pass. Murta noted that there are pockets of resistance to the reform, but that there is no organized, national movement capable of impeding pension reform.

Bolsonaro has yet to reach the level of congressional support that Lula or Cardoso achieved. Still, JOTA's surveys in the first half of June registered a government support index of 85.4 percent, which measures the likelihood that Congress will vote with the government. Murta added that first-term representatives are more likely to vote with the administration than veteran politicians are. Additionally, JOTA research identified 21 political parties as part of the government's base, eight as "swing parties," and two as opposition (one being the PT). Policy divisions on pension reform has frequently stemmed from state issues, which members of Congress (as state representatives) value more than the Bolsonaro administration. However, prioritizing state fiscal health over balancing the federal budget jeopardizes the Bolsonaro agenda.

Murta recognized that one of the major limitations of this dataset is its sole focus on support for Bolsonaro's economic programs. Polling on support for social initiatives would look quite different—on positions like abortion rights and environmental regulations, the positions are "far more adversarial" in Congress and the Supreme Court.

Monica de Bolle, Director of the Latin America Program at the Johns Hopkins University SAIS and Senior Fellow at the Peterson Institute for International Economics, added that much of Brazil's progress in the past two decades was due, in large part, to the Real Plan in 1994, which stabilized the economy and curbed hyperinflation.

The Real Plan contained "great creativity and great audacity"—and it faced opposition from many international organizations, including the IMF, due to its heterodox approach. De Bolle argued that this creativity and audacity is missing from the economic policies proposed by the Bolsonaro administration. The pension proposal is ambitious and critical to "opening up fiscal space in the medium-term," but it will not transform Brazil's economy—and the Brazilian economy faces challenges that go well beyond its medium-term fiscal situation.

De Bolle argued that the ongoing economic malaise is a symptom of fundamental structural problems, which she summed up as "tropical, secular stagnation." The Brazilian economy is barely growing: it reached 1 percent GDP growth in 2017 and 2018 due to bumper agricultural yields, which explains the economic contraction seen in the first quarter of 2019. Longer-term trends point to stagnation.

Declining labor productivity is particularly concerning. The commodity boom and other temporary economic tailwinds masked the fall in labor productivity, which is now more readily apparent. The end of Brazil's "demographic bonus," which saw the expansion of the working-age population, is also troubling. These two trends become particularly problematic given recent indications of increasing educational inequality. As an example, de Bolle referenced the strikingly low scores of Brazilian students on the OECD's Program for International Student Assessment (PISA) in literature and mathematics. In fact, regardless of socioeconomic status, 85 percent of Brazilian students do not even reach the minimum proficiency level in mathematics, with similar scores in literature and science. Without satisfactory education, the future workforce will remain less educated and productive.

Another concern raised by de Bolle concerning stagnation is low interest rates. Traditionally, decreasing interest rates spur greater investment and thus growth. However, even though interest rates have been cut in recent years and are expected to remain low in the near future, there has not been a corresponding boost in investment: a symptom of "tropical, secular stagnation." De Bolle concluded that more creative and audacious reforms will be necessary to stimulate growth in the short- and long-term, especially structural economic reforms and strengthening social programs and economic safety nets.

Beyond the economic questions, de Bolle underscored the concerns over the Bolsonaro administration's intent with regards to environmental regulations, protections for indigenous and minority groups, labor standards, and the reduction of inequality and poverty. She noted, however, that the recent Mercosur-European Union agreement has the potential to address many of these issues. Though much of the agreement has yet to be codified, the section

Left-right: Maurício Moura, Andrea Murta, Monica de Bolle, and Thiago de Aragão

on sustainable development is particularly relevant to Brazil. De Bolle suggested that the agreement could serve to keep Brazil from backsliding on a number of key issues, through constraining the government's space to act.

Thiago de Aragão, Partner and Director of Intelligence at Arko Advice and Senior Associate at the Center for Strategic and International Studies, stressed that there have been several positive advances in the past six months, primarily the pension reform bill and the Mercosur-EU trade agreement. He also noted other areas of progress, including the government's "Economic Freedom" provisional measure, which will support businesses in the future. However, Aragão characterized the administration's "continuous attempt to disqualify politics" as a key challenge. Bolsonaro's anti-establishment rhetoric alienates voters outside his base (as Murta and Moura both also noted), which contributes to declining popular support. In contrast, former President Lula maintained popularity through expansive social programming— even in the middle of the Mensalão scandal (one of Brazil's largest, until the Lava Jato investigations).

Yet this political style, which undermines support among centrists—anti-politics rhetoric with a conservative cultural agenda—is also central to mobilizing Bolsonaro's base. The approach is similar to that of President Trump, who campaigned on anti-establishment ideologies appealing to voters disillusioned with existing governance structures. Aragão argued that this approach is "a point of inflection" for governments across the world: it strengthens their support base, while weakening relations with representatives from the other branches of government. Indeed, Bolsonaro has cultivated only a tenuous relationship with Congress.

Nonetheless, the situation is complicated and far from static. The universal popularity of pension reform could create either constructive or conflictive dialogue between Bolsonaro and Congress. The more popular support pension reform receives, the more likely the Bolsonaro administration is to participate in conflictive dialogue—which reinforces the anti-politics agenda. Yet the successful passage of pension reform, though it will not lead to an economic paradise, will improve perceptions of the Bolsonaro government.

However, Aragão stressed that the only way for Bolsonaro to advance other agendas—cultural, economic, or otherwise—is to participating in constructive dialogue with Congress. If the Bolsonaro administration chooses a more conflict-based approach, Congress will likely pass socially positive (yet fiscally imprudent) proposals that Bolsonaro will invariably veto. This will only further alienate Bolsonaro's base of support.

Q&A Session

Q: What is your opinion on the role of income concentration and social policy in Brazil's historic stagnation?

From 2015 to 2016, Brazil has observed rising inequality and poverty, said **de Bolle**. Historically, the research on income concentration and growth is mixed—empirical data supports the theory that higher levels of inequality stunt growth, but there is also cross-country evidence that proves otherwise. In Brazil, income inequality has always been a challenge.

The Real Plan was one of the major equalizers in Brazil in the mid-nineties. Inflation often acts as a regressive tax on the poor, so the plan's success in taming rampant inflation unsurprisingly also reduced poverty rates, explained de Bolle. However, a series of financial crises hindered progress in this area in the 1990s, and social welfare programs only began to produce concrete results after their consolation into Bolsa Família in the mid-2000s, combined with several new social policies under the Lula administration. Much of the Brazil's success at reducing inequality in the 2000s was due to external economic forces and an increase in the minimum wage. Although the rule pegging wages to GDP growth is problematic now, given the economic downturn, it contributed enormously to reducing inequality in the 2000s.

The 2015 recession illustrated that policies like the minimum wage law were not fiscally sustainable. Since then, income concentration has increased in Brazil, which likely hinders long-term growth. De Bolle suggested that social policies—apart from cash-transfer programs—targeted towards specific populations could help unlock growth potential.

Andrea Murta   Monica de Bolle

Q: What is the likelihood of Brazil entering the "middle-income trap" (due to low mathematics scores on the OECD PISA exams)?

De Bolle noted that few countries have escaped the middle-income trap, but she stressed that such a result is not inevitable, but rather a reflection of economic and social policy decisions. Low test scores and educational attainment is a long-term structural problem, rather than a result of the Bolsonaro administration. Education is particularly important. A low-skilled workforce that receives a technological shock like automation cannot respond without enormous job displacement. Brazil is at risk of falling into the middle-income trap, unless students are better prepared to enter the workforce. Only policies that advance student growth over achievement will transport Brazil's education system into the current century.

Q: What will Bolsonaro's temptation be to explore additional free trade following the Mercosur agreement, and what are your perspectives on the Brazil-China relationship?

De Bolle hoped Bolsonaro would seek out additional free trade opportunities, given the success of the EU-Mercosur agreement. A deal of this magnitude requires further negotiations, technical reviews, and ratifications, but Brazil could immediately pursue conversations with other countries, including Canada, the United Kingdom, and the United States. Such trade deals encourage the Bolsonaro administration to become less anti-globalist, she added. Bolsonaro had seemed to become more receptive to building a relationship with China—until the recent G20 meetings, when Bolsonaro left after Xi Jinping, President of China, was delayed 20 minutes. It is clear Brazilian businesses do not want geopolitical challenges with China, but the administration's stance remains muddled.

Aragão added that a relationship with China is a necessity, not an option. After the election, Vice President Mourão stated that Brazil should remain equidistant between the United States and China. Yet part of the government still believes that Brazil cannot develop relations with both countries, but must instead choose. However, "doing business with China, developing a trade relationship, does not indicate an approval of what China does as an ideological unit." The Brazil-China relationship is still at a crossroads, but may benefit from the current trade war between China and the United States. However, Brazil is not in an economic position to choose between trade partners.

Q: How do recent revelations by The Intercept about Minister of Justice Sérgio Moro's investigation of Lula—and the non-investigation of Fernando Henrique Cardoso—impact public opinion of Bolsonaro, corruption, and democracy in Brazil?

Moura noted that most people in Brazil do not understand what is happening in the *Intercept* case—whether it is reliable information or fake news. It is important to recognize that Minister Moro is far more popular than Bolsonaro, entering the government with an approval rate close to 70 percent. In the past few weeks, he has lost 5 or 6 points, because he publicly claimed that being against Lava Jato implies believing the *Intercept* reports. Though Minister Moro is still a popular figure, he now depends more heavily on Bolsonaro and his divisive political rhetoric.

Murta added that recent revelations complicate Moro's position more within the government than outside it. He has portrayed himself as a hapless victim, deserving of protection, which spurred protests. Many politicians are personally not in favor of Lava Jato, perhaps due to nepotism in Congress. However, the Senate has begun discussing measures against corruption that could circumvent judicial authority, which would complicate Moro's position as a minister within the government.

De Bolle observed that protests on May 26 and June 30 were "in support of Moro, against Congress, and against the Supreme Court." She contended that Brazilians have unified around three inherently contradictory pillars: defending Moro and his judicial record implies support for the judiciary branch, and so advocating for a shutdown of the Supreme Court is nonsensical. Public opinion is murky because Brazilians view these revelations through ideological lenses. Impartial and rational attitudes seem to have disappeared.

Q: What mechanisms can be implemented for the public to believe accurately sourced data and information?

Moura noted that only 26 percent of Brazilians believe in expert opinion, but 52 percent believe in family, friends, and information received through WhatsApp. Being an expert, especially in the age of the Bolsonaro administration, which campaigned via social media, is not beneficial in Brazil.

Murta added that, despite continued efforts to combat fake news, monitor social media, and promote bipartisan dialogue, none have been successful thus far. Congress is considering an inquiry on the role of social media in elections, but there is little hope that it will change public opinion. WhatsApp and family group chats remain the main source of news.

De Bolle stressed the importance of simplifying complex topics into language people can understand. Instead of using technical terminology, politicians and educators should engage with people through platforms on which they are already active. She affirmed that Brazilians are seeking information and interaction.

Aragão argued that the cultural era of speed and convenience—Amazon Prime shipping, food delivery services—also applies to information. People seek stimuli with immediate reward, which creates an environment that distorts fact and

opinion. Given the speed of information delivery, users have come to expect that, if a piece of news is incorrect, it will be rectified within seconds. Because of this, the source has become more important than the content itself. Newspapers have a tainted reputation for months if they publish a false report, because they cannot quickly revise articles in print. Additionally, articles that go against personal belief systems are interpreted as false sources of information. The desire to gather information from individuals that are of similar mind is more satisfying than engaging with opposing perspectives.

Moura added that, to teach students how to discern fact from fiction in news reporting, the new PISA exams will test journalistic knowledge. Only education will combat the spread of fake news.

Q: What is the role of the economy in determining whether the Bolsonaro government will be successful and sustainable moving forward?

Aragão noted that the economy touches all other sectors in society. The success of the government is increasingly measured through economic performance, because other social aspects—that are often either ignored or inefficiently addressed—are not part of the government's agenda. Economic metrics cover up social problems that should be addressed separately, but are instead placed under the broad umbrella of economic development.

Q: How can the education system be reformed—using either the Internet or the educational environment—to combat disinformation, considering the government's interference with public schools and universities?

De Bolle noted that newly elected congressional representatives, like Tabata Amaral, have played an increasing role in advocating for educational reform. However, the responsibility also falls on those with media power—university professors and subject experts in particular—to use social platforms to reach larger audiences. In Brazil, where more people have access to smartphones than sanitation, social media provides a critical platform for translating complex concepts into simple terms.

Moura emphasized the necessity for Brazilians to scrutinize the Minister of Education, just as they do the Minister of Economy, and Aragão pointed out the persistence of "ideological poisoning" in schools and universities. Both the PT and the current administration emphasize ideology in

the classroom. Yet, the most successful schools in Sweden, Norway, and Finland emphasize educational pragmatism, not ideology.

Q: Could you evaluate the threat the PSDB may pose to the Bolsonaro government in the 2022 elections. Will the party distance itself from the current administration on social or fiscal issues, and what is the possibility of someone like João Doria becoming a serious contender in the elections?

Moura noted that the PSDB is facing serious conflict, both internal and external. The upcoming municipal elections in São Paulo (where João Doria currently serves as governor) will help determine how competitive the PSDB will be in 2020 or 2022. Many issues within the party need to be resolved before then.

Murta added that Doria is the "owner of the machine" that is the PSDB, but the original party base—known as the old guard—does not currently support him. In fact, they are considering Luciano Huck (a television host and philanthropist who entertained a 2018 presidential campaign) as their nominee. Murta agreed that one indicator of the 2022 presidential election will be the municipal elections in São Paulo.

Aragão emphasized the general crisis of political parties in Brazil. The PSDB will only perform as well as its selected candidate—if that is Doria, the party will likely perform better than with another candidate. The formerly unknown Social Liberal Party (PSL) grew to be the largest political party

after the 2018 elections, with Bolsonaro as its nominee. In essence, the candidates are more important than the party (and its policies and ideologies). Traditionally, leftist parties are the most organized, likely due to their tendency toward collectivist thought. Non-leftist parties, in contrast, prioritize individual thought, which creates greater space for division within the party.

Sotero added that centrist political actors in Brazil are consistently trying to forge a path forward. There is still a sense of normalcy in politics.

Q: What is the role of science and technology— as opposed to education—in advancing economic growth?

Sotero emphasized that Brazil, like Argentina, has great scientists but little innovation. Encouraging innovation requires continuous reform to all sectors, but especially education. Even though it is a nonpartisan area of priority, innovation for the common good sometimes comes at the expense of personal privilege.

For further reading on innovation in Brazil, Sotero mentioned the Brazil Institute's 2018 publication *Novos caminhos para a inovação no Brasil*, authored by economist Fernanda De Negri in partnership with Interfarma, and its forthcoming English translation "New Paths Toward Innovation in Brazil."