

# Brazil votes on Sunday for the first time since Rousseff was ousted. What will happen to her party?

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By **Fernando Meireles and Ryan Lloyd** September 30, 2016

This Sunday, in the midst of what may be the country's most profound political crisis in recent years, Brazilian voters will cast ballots for mayors and city council members in 5,568 cities throughout the country. These elections will be shaped in part by two dramatic shake-ups in the nation's political landscape. First, Brazil is being wrenched by a vast and ongoing corruption investigation known as Operação Lava Jato (Operation Car Wash). Second, corporate donations, which have underwritten a significant portion of political campaigns until now, have been ruled unconstitutional.

All this might especially weaken one of the most important leftist parties in Latin America, the Workers' Party or PT. The PT — the party of Luiz Inácio da Silva, popularly known as "Lula" — occupied the presidency for 13 years and helped millions escape extreme poverty, although its reputation has recently suffered with former president Dilma Rousseff's recent impeachment trial and criminal investigations of Lula himself.

## **Lava Jato and the municipal elections in Brazil**

Beginning in 2014, federal prosecutors and the Federal Police uncovered a massive corruption scheme involving the main parties in the federal government. They found that politicians had installed allies in state-owned enterprises to control public bidding processes on government contracts. Contractors formed cartels, splitting government contracts among themselves and paying bribes to these officials to secure them, generally through artificially inflating the contracts. The officials at the state-owned enterprises would then kick back part of these payments back to the politicians through both official campaign donations and illegal off-the-book donations.

Politicians from a wide range of parties have been implicated. As of Sept. 18, 361 people, including politicians, public officials and businessmen, have been investigated, with 106 already convicted (although so far none of the politicians has been convicted). Fifty-six of these defendants agreed to plea bargains in exchange for implicating accomplices. Now-former president Rousseff of the PT was ousted in part because — although she was never accused of a crime, while many of her

accusers were — Lava Jato had subpoenaed her predecessor and mentor Lula, arrested many members of the PT, and tainted all Brazilian politicians with the suspicion of corruption.

Since Rousseff's impeachment, Lava Jato has brought down Eduardo Cunha of the Brazilian Democratic Movement Party or PMDB, the former president of the House of Deputies who helped orchestrate Rousseff's ouster in what some observers called a “soft coup.” PT member Antônio Palocci, formerly Lula's finance minister and Rousseff's chief of staff, was arrested one week before the election. Ex-Deputy Cunha is said to be considering a plea bargain, which may involve him testifying as well.

So what does this have to do with mayors and city councils? Mayors are a big deal in Brazil. Not only do they have considerable control of city budgets, but they have also historically been key in determining who does well in the general elections two years later, helping with mobilizing the vote. As some studies have already shown, Brazilian voters punish corruption-tainted politicians at the polls. We argue that parties that are associated with corruption — particularly the PT — could get a drubbing on Sunday.

That's what happened in the 2006 general elections, when many deputies involved in the corruption scandal known as the Mensalão (roughly translatable as “the big monthly payment”) were thrown out of office. Corrupt mayors are often punished as well; this time, the parties themselves might get some of the blowback, too.

In the figures below, you can see which parties got the most donations from companies involved in Lava Jato (as a proportion of total donations received). These parties are running fewer candidates for mayor in these coming elections. Many of these incumbents have not run for reelection simply because they don't want to lose. Others have changed parties to escape the taint of Lava Jato.

### **The PT is getting blamed**

The PT held the presidency when the scandal emerged. Fairly or unfairly, the party has received the lion's share of the negative news coverage from the Brazilian media. What's more, a high percentage of voters say they disapprove of the PT. That leads us to conclude that the party could very well be in trouble at the polls.

Even if you take out the PT, however, there's still a big correlation between the percent of total donations received from companies linked to Lava Jato and the number of candidates running for mayor. While candidates associated with parties accused of corruption are likely opting not to run or are swapping parties, it could also be the result of something more structural: a difficulty replacing this dirty money.

### **The effect of the end of corporate donations**

In 2015, during the Lava Jato investigations, Brazil's Supreme Court ruled corporate donations to political campaigns unconstitutional. According to the ministers on the Supreme Court, these donations compromised democracy by letting

corporate interests overly influence electoral results. Clearly, the court had noticed – as had many observers – that many companies involved in the Lava Jato scandal were among the biggest donors to Brazilian campaigns.

But that money remains in politics. Rich individuals can still donate large amounts to political campaigns. Brazil's campaign finance laws limit individual donations – but the limit is set in proportion to the donor's income. In other words, if you make more money, you can donate more. And as is true everywhere, money makes a big difference in how well Brazilian parties do at the ballot box.

The PT seems again to be harmed most by this new limit. As the graph above shows, the PT has received far less money than have their major competitors: the Brazilian Social Democracy Party, or PSDB, and the Brazilian Democratic Movement Party. Without corporate donations, the PT seems set to suffer a greater decrease in resources than other parties.

### **What will the Brazilian party system end up looking like?**

The PT is entering municipal elections with fewer candidates running than in 2012 and has fewer resources to finance them than in 2012 as well.

However, in Brazil, parties often strike deals to support other parties' candidates, even in mayoral elections, swapping support for a given candidate in exchange for coordination in city council elections or key city appointments after election day. Despite Rousseff's impeachment, the PT has negotiated and formed alliances in many municipalities – albeit from a weaker bargaining position than usual. Given that weakness, the PT may nevertheless not have much leverage, either when the city council election results come in or when city cabinets are appointed.

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After a long time on top, in other words, the PT may be in for a big slide. Other parties on the left might try to step in, but few, if any, can have anything like the PT's influence. The right might be best positioned to capitalize on this.

That said, now that ex-deputy Cunha has been removed from office, he will be vulnerable to indictment. As one of the central figures in Brazilian politics over the past few decades, he knows where all the skeletons are buried; if he testifies, no one will be safe.

Secret recordings released to the media in May suggested that virtually all major parties were involved, and that the Lava Jato investigations have just begun to explore the widespread corruption in Brazil. If another bombshell drops, other parties might feel the voters' wrath, too, either in 2016 or in the general elections in 2018.

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