

A return to neoliberal economic policy in Brazil?
An analysis of Brazil's presidential elections of October 2018

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Abstract:

This paper has primarily attempted to determine whether neoliberal economic policy is making a return to Brazil, and secondarily what the most likely explanation for this could be. The elections of October 2018 provided the context to perform an analysis on this subject: the two candidates competing in the second round of elections, Jair Bolsonaro and Fernando Haddad and their visions on economic policy for Brazil have been analyzed through the method of content analysis. The *programas de governo* or governing programs of both candidates has served as the main subject of the study. Additionally articles in journals and interviews have been taken into consideration. Neoliberal economic policy in this paper is defined as a specific set of economic policies associated with the Washington Consensus. Although the Washington Consensus contains a total of ten advised economic reforms, the analysis in this paper will focus on specifically three, namely privatization, trade liberalization and austerity. This will be followed by a demonstration of a 'retreat' of neoliberal economic policy worldwide at the hand of the trade policies of the Trump administration in the United States and the change of direction made by International Financial Institutions. Thirdly, the political situation of the last years in Brazil will be described in order to provide the reader with the necessary context for the analysis. Fourthly, the turn to neoliberal economic policy under the current Temer administration will be demonstrated to establish that neoliberalism has returned to Brazil, albeit in the form of a government with near to no public support: favorable views of the (neoliberal) reforms among the candidates under study would be a strong indication a continuation of this policy under a new president is likely. This has been researched through the *programas de governo*, articles and interviews. Lastly, two possible explanations have been considered. The paper will conclude that it is indeed likely that Brazil, now with a candidate enjoying significant public support, will continue on the path of neoliberal economic policy. This return to neoliberal economic policy will be concluded to be due to a form of crisis management in Brazil.

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During the 1970s and the early 1980s a combination of stagnation and inflation, often referred to as 'stagflation', hit the seven largest economies in the world at that point in time.¹ This economic stagflation called in the end of the period known as the Keynesian consensus, a consensus in which the answer to issues with inflation and recession lies within the idea of a managed market economy: the state should play an interventionist role, for example in the form of fiscal policy actions during times of recession.² Although Keynesianism saw a period of significant success,³ it has often been described as 'statist and inward looking'.⁴ Starting in the 1970s, the Keynesian welfare state came under increasing attack from both political and ideological sides.⁵ This is perhaps best demonstrated by a statement by British Prime Minister James Callaghan, whom argued that it was necessary to 'get back to fundamentals' – to 'spend your way' out of a recession and increase employment by cutting taxes and boosting government spending was no longer deemed a sensible economic policy.⁶

As the world entered a 'structural crisis' with 'diminished growth rates, a wave of unemployment and cumulative inflation (...) neoliberalism emerged.'⁷ While neoliberalism first emerged among the 'countries of the center' such as the United Kingdom under Thatcher and the United States under Reagan, it slowly expanded toward the periphery,⁸ eventually becoming embedded within a significant number of nations in Latin America among which Chile, Argentina and Brazil. In this paper the focus will be on the nation of Brazil. The earlier mentioned stagflation of the 1980s had a severe impact on nations across Latin America. After having actively pursued the statist oriented import substitution industrialization (ISI) model since the 1930s, Brazil made a 'switch' to neoliberal economic policy.⁹ The goal of the ISI model had been to actively rely on state-led efforts in order to develop infrastructure, construct domestic basic industry and to increase domestic manufacturing to substitute for imported manufacturing: this was to be achieved by establishing

¹ J.F. Helliwell, 'Comparative Macroeconomics of Stagflation', *Journal of Economic Literature* 26 (1988) 1, 1-28, there 1.

² J. Green and S. Lavery, 'After neoliberalisation? Monetary indiscipline, crisis and the state' *Trans Inst Br Geogr.* 43 (2018), 79-94, there 83.

³ J.W. Dean, 'The dissolution of the Keynesian consensus', *The Public Interest* 0 (1980), 19-34, there 21.

⁴ H.W. Singer, 'Editorial: The Golden Age of the Keynesian Consensus – The Pendulum Swings Back', *World Development* 25 (1997) 3, 293-295, there 293.

⁵ J. Trumbour, 'Margaret Thatcher, the Thatcherite intellectuals and the fate of Keynes', *Industrial Relations Journal* 45 (2014) 3, 250-265, there 250.

⁶ L. Panitch and S. Gindin, *The Making of Global Capitalism: The Political Economy of American Empire* (New York 2012) 157.

⁷ G. Duménil and D. Lévy, 'The Neoliberal (Counter-) Revolution' in: A. Saad-Filho and D. Johnston (ed.), *Neoliberalism: A Critical Reader* (London 2005), 9-19, there 9.

⁸ Duménil and Lévy, 'The Neoliberal (Counter-) Revolution', 9.

⁹ E. Amann and W. Baer, 'Neoliberalism and its consequences in Brazil', *Journal of Latin American Studies* 34 (2002), 945-959, there 945.

sizeable tariffs on imported goods.¹⁰ This ISI strategy had been accompanied by heavy borrowing from foreign governments as well as financial institutions: by 1979, Brazil's debt service burden was equal to over 63 percent of the country's total exports.¹¹ When in late 1982 Mexico saw itself forced to declare moratorium on its debt payments, international financial markets were significantly less eager to provide loans to Latin American nations, meaning these nations were unable to meet their debt payments. Brazil, being faced with an immediate liquidity shortage, saw itself forced to succumb to conditional loans provided by International Financial Institutions.¹² By doing so, the country took a step in the direction of neoliberalism.

In their article *The Consequences of Neoliberalism in Brazil*, Amann and Baer examine the effects of roughly a decade of neoliberal policies in Brazil, starting in the 1990s. Within this decade the economy became substantially more open to foreign trade as well as to foreign investment while simultaneously the role of the state in the economy was reduced.¹³ The authors conclude that the shift to neoliberal policies was disappointing: high rates of economic growth were not achieved. The distribution of income, a structural problem in Brazil, worsened nor improved. According to Saad-Filho, the transition from ISI to neoliberal policy led to higher unemployment and labor turnover, as well as a rise of economic insecurity.¹⁴ Belem Lopes adds that neoliberal policies in Brazil caused increased violence, increased unemployment and a cut back on social policies.¹⁵ Despite this predominantly negative historical experience with neoliberalism, the current administration of president Temer is often described as returning Brazil to neoliberal economic policies. Ricardo Antunes in *Le Monde Diplomatique Brasil* goes as far as to describe the Temer administration as a coup government which brought 'ultra-neoliberalism' to Brazil.¹⁶ Similarly, other authors describe the Temer government as one committed to the neoliberal vision.¹⁷ Belem Lopes argues that neoliberalism has firmly returned to the politics of the Latin American region: 'Brazil, Argentina,

¹⁰ E. Silva, 'The Import-Substitution Model: Chile in Comparative Perspective', *Latin American Perspectives* 34 (2007) 3, 67-90, there 67.

¹¹ R.J.A., Roett, *The New Brazil* (Washington D.C. 2011), 68.

¹² Roett, *The New Brazil*, 68-69.

¹³ Amann and Baer, 'Neoliberalism and its consequences in Brazil', 957.

¹⁴ A. Saad-Filho, 'Neoliberalism, Democracy and Development Policy in Brazil', *Development and Society* 39 (2010) 1, 1-28, there 24.

¹⁵ D. Belem Lopes, 'Why is neoliberalism back in Latin America?' (version July 15th 2017), <https://www.aljazeera.com/indepth/opinion/2017/07/neoliberalism-latin-america-170711085354385.html> (May 28th 2018).

¹⁶ R. Antunes, 'A devastaco do trabalho na contrarrevoluo de temer' (version March 23th 2017), <https://diplomatique.org.br/a-devastacao-do-trabalho-na-contrarrevolucao-de-temer/> (May 30th 2018).

¹⁷ R. Santos, 'A Retomada do programma neoliberal no governo Temer e seus possveis impactos sobre a auditoria fiscal do trabalho Brasileira', *Cadernos do CEAS* 239 (2016) 795-812, there 796.

Mexico, Colombia, Paraguay and Peru have proud neoliberals serving as presidents these days.¹⁸ At the same time this author argues that this is happening at a time when much of the world is clearly going protectionist and moving away from neoliberal policy. As examples, he mentions Donald Trump in the United States, Theresa May in the United Kingdom, Narendra Modi in India, Vladimir Putin in Russia and Recep Tayyip Erdogan in Turkey.¹⁹

It is the above described set of ideas that form the motivation for this paper. On one hand the ruling view of the experience with neoliberal policies in Brazil is a negative one: neoliberalism led to increased unemployment, a rise of economic insecurity, increased violence, a cut back on social policies, lack of high rates of economic growth and a failure to address the structural problem of distribution of income in Brazil. Meanwhile, neoliberalism seems to be making a return to Brazil while simultaneously retreating in much of the world. In view of this contradictory situation this paper aims to answer the following questions: is neoliberal economic policy indeed making a return to Brazil? And if so, why?

The elections in Brazil of October 2018 provide a solid context to answer this question, especially so because of the fact that current president Temer has not participated: other candidates (similar to Temer) flirting with neoliberalism would provide evidence that neoliberalism is indeed making a return to Brazil. By taking the main aspects of neoliberal economic policies and comparing these with the two final candidates facing each other in the second round of the elections, the question whether or not it is likely for Brazil to return to neoliberalism can be answered. The first section of this paper will focus on the theory of neoliberalism in itself. In light of the widespread, often differing and negative, use of the term it is of significant importance to clarify the debate surrounding the term as well as to clarify in which sense the term will be utilized. In this same section of the paper the method used will be clarified. The second chapter will demonstrate the aforementioned 'retreat' of neoliberal policy worldwide exemplified by the trade policy practiced by the Trump administration as well as certain changes of direction made by International Financial Institutions (IFI's). In the third chapter the current situation in Brazil will be described. This will include the flirtation of the Temer administration with neoliberal economic policy as well as a more expansive introduction of the candidates to be analyzed in the fourth chapter. In the fourth chapter, the analysis of these candidates and potential next presidents of Brazil will take place at the hand of

¹⁸ Lopes, 'Why is neoliberalism back in Latin America?' (version July 15th 2017), <https://www.aljazeera.com/indepth/opinion/2017/07/neoliberalism-latin-america-170711085354385.html> (June 1st 2018).

¹⁹ Lopes, 'Why is neoliberalism back in Latin America?' (version July 15th 2017), <https://www.aljazeera.com/indepth/opinion/2017/07/neoliberalism-latin-america-170711085354385.html> (June 1st 2018).

neoliberal economic policies such as will be defined in the first section of this paper. The presidential candidates that will be analyzed are Jair Bolsonaro of the *Partido Social Liberal* (PSL) and Fernando Haddad of the *Partido dos Trabalhadores* (PT). These candidates respectively obtained 46 and 29.3 percent of the vote in the first round of elections on October 7th.²⁰

1.1 Defining neoliberalism

The term neoliberalism is often said to have lost precision since it came to the foreground of economic policy. The following words describe well why it is of importance to provide a clear view of the term neoliberalism, as well as to clarify in which sense this term will be utilized in this paper: ‘Largely as a result of (...) growing conceptual ambiguity, neoliberalism is now widely acknowledged in the literature as a controversial, incoherent and crisis-ridden term, even by many of its most influential deployers.’²¹ The core part of the critique on this term is that it is used extensively in academic literature, meaning it is used to critique and explain certain subjects, while the term itself is in dire need of explanation due to lack of clarity. This is argued by Boas and Gans-Moore in their 2009 article ‘Neoliberalism: From New Liberal Philosophy to Anti-Liberal Slogan’. These authors present a clear view of the problem surrounding the term neoliberalism. Despite the fact that the term overcame ‘monetarism, neo-conservatism, the Washington Consensus and even “market reform”, it remains to present a puzzle: there is a strong lack of articles focusing on the definition and usage of the term.’²² This point of view is confirmed by Philip Morowski in that same year: ‘Neoliberalism remains a major ideology that is poorly understood’.²³ Although there has been an increase in theoretical debate about the term since then, it is often still concluded to be vaguely defined and in some instances even described as ‘chaotic’.²⁴ The term can be found in the academic fields of social sciences, economics, anthropology and specific fields such as urban planning. Venugopal provides an excellent overview of meanings, definitions and ideas given to neoliberalism. He argues that the term has come to be much used by those in social sciences, while simultaneously being scarcely used among economists.

How did this come to be? Until the 1970s, the term neoliberalism was strongly associated with a specific set of economic ideas which had arisen in the 1930s and had evolved continuously

²⁰ Bloomberg, ‘Brazil Election Coverage’ (version October 8th 2018)

<https://www.bloomberg.com/graphics/2018-brazil-election/> (October 8th 2018).

²¹ R. Venugopal, ‘Neoliberalism as Concept’, *Economy and Society* 44 (2015) 2, 1-23, there 1.

²² T.C. Boas and J. Gans-Moore, ‘Neoliberalism: From New Liberal Philosophy to Anti-Liberal Slogan’, *Studies in Comparative International Development* 44 (2009) 2, 137-161, there 138.

²³ D. Plewhe, ‘Introduction’, in: P. Mirowski and D. Plewhe (ed.), *The Road From Mont Pèlerin* (Cambridge 2009) 1-42, there 3.

²⁴ B. Jessop, ‘Putting neoliberalism in its time and place: A response to the debate’, *Social Anthropology* 21 (2013) 1, 65-74, there 65.

well into the 1960s. Mirowski identifies the work (*An Inquiry into the Principles of) The Good Society* by Walter Lippmann in 1937 as the introduction of neoliberal philosophy in the 20th century. Neoliberalism is often interpreted as a resurgence of the 19th century economic philosophy of *laissez-faire*; an idea that is reinforced by Lippmann arguing that, among others, 'the state does not administer the affairs of men, it administers justice among men who conduct their own affairs.'²⁵ The debates held about a renewed liberalism by supporters of Lippmann showcase that it was not immediately an entirely 'left' or 'right' leaning economic philosophy. Initially, the economic philosophy of neoliberalism confronted both socialist planning philosophies as well as the classic liberal idea of *laissez-faire*.²⁶ The debate of in which direction this new liberalism should turn is made even clearer by Walden who clarifies that although eventually it was decided to coin this renewed liberalism 'neoliberalism', other terms such as neo-capitalism, positive liberalism, social liberalism and even liberalism of the left had also been debated.

Despite neoliberalism often being viewed as a resurgence of the 19th century economic philosophy of *laissez-faire*, by the early 1980s the term neoliberalism was seen in a different light 'as it came to describe the wave of market deregulation, privatization, and welfare-state withdrawal that swept the first, second and third worlds. It then went on to expand as a concept to signify not just a policy model, but a broader political, ideological, cultural, spatial phenomenon (...) and was often used as loose shorthand for a prevailing dystopian zeitgeist.'²⁷ As a consequence of this, the concept became wider than its predominant focus on economics: issues of power and ideology now too came into the picture. These views of neoliberalism are nowhere seen more clearly than in the social sciences.

The idea of neoliberalism as a prevailing dystopian zeitgeist is relatively widespread under those authors that can be defined as 'critical' of the term neoliberalism. Authors such as Saad-Filho and Johnson argue that we live in an age of neoliberalism,²⁸ a statement referring to the idea that both wealth and power are increasingly concentrated among 'the elite' as well as large, transnational corporations.²⁹ It is therefore logical that a connection is often made between globalization on one hand, and neoliberalism on the other. Globalization is often seen as the process of neoliberalism being imposed on the world by the West.³⁰ Neoliberalism calls for free movement of capital, money,

²⁵ W. Lippmann, *The good society* (New York 1943) p. 267.

²⁶ Plewhe, 'Introduction', 14-15.

²⁷ Venugopal, 'Neoliberalism as Concept', 3.

²⁸ A. Saad-Filho and D. Johnston, 'Introduction' in: A. Saad-Filho and D. Johnston, *Neoliberalism: A Critical Reader* (London 2005) 1-6, there 1.

²⁹ D.E. Thorsen, 'The neoliberal challenge: What is neoliberalism?', *Contemporary Readings in Law and Social Justice* 2 (2010) 2, 188-214, there 195-196.

³⁰ Luke Martell, *The Sociology of Globalization* (pre-publication version 2010), 1-14, there 5.

goods and services across national boundaries, which in essence means that corporations, investors and banks 'should be free to move their property across national boundaries, and free to acquire property across national boundaries.'³¹ On top of that these same authors describe neoliberalism as 'a hegemonic system of enhanced exploitation of the majority' and continue to list a significant number of inherently negative aspects to neoliberalism, such as the undermining of rights, the plunder of nations and the abuse of the poor.³² These negative connotations of the term neoliberalism exist among a far wider group of academics. Articles about neoliberalism with negative connotations for the term can be found without any difficulty. Articles that come up especially address such topics as neoliberalism destroying democracy (Noam Chomsky),³³ and how neoliberalism shapes the global economy as well as limits the power of democracies (Patrick Iber).³⁴

In fact the negative connotation of the term can be argued to be one of the main reasons why 'neoliberalism' has become largely unused among proponents of neoliberal economic policy and economists. Earlier research performed by Boas and Gans-Moore pointed out that scholars often 'appoint' specific people as being neoliberal, while the amount of people who actively identify themselves as being such is extremely low: in 148 articles analyzed by these authors, not one person self-identified as a neoliberal.³⁵ Another potential reason could be the history of neoliberal economic policies in itself. Considering the fact that these policies were of significant importance to Chile and specifically Pinochet during his military dictatorship in the late 20th century. The liberalization of the Chilean economy under the influence of a group of economists known as the "Chicago Boys" became one of the main aspects of the military junta. Due to the dictatorship committing crimes and abuses on human rights,³⁶ the neoliberal economic policies of those economists from the 'Chicago School' could be argued to have led to neoliberalism and authoritarianism often been seen as going hand in hand, at least in this part of the world. Similarly, neoliberal economic policies were introduced in Argentina during the military dictatorship, although these policies were not fully implemented until after the end of the dictatorship.³⁷

³¹ D.M. Kotz, 'Globalization and neoliberalism', *Rethinking Marxism* 14 (2002) 2, 64-79, there 65.

³² Saad-Filho and Johnston, 'Introduction', 2.

³³ C. Lydon, 'Noam Chomsky: Neoliberalism Is Destroying Our Democracy' (version June 2nd 2017), <https://www.thenation.com/article/noam-chomsky-neoliberalism-destroying-democracy/> (July 10th 2018).

³⁴ P. Iber, 'How neoliberalism shapes the global economy and limits the power of democracies' (version April 23rd 2018) <https://newrepublic.com/article/147810/worlds-apart-neoliberalism-shapes-global-economy> (July 11th 2018)

³⁵ Boas and Gans-Moore, 'Neoliberalism', 140.

³⁶ L. Montes, 'Friedman's Two Visits to Chile in Context, *Summer Institute Conference Paper*, 1-2.

³⁷ T. Undurraga, 'Neoliberalism in Argentina and Chile: common antecedents, divergent paths', *Revista de Sociología e Política* 23 (2015), 11-34, there 11.

Michael Walton argues that there are indeed two meanings to the term neoliberalism, a broad and a narrow one: the broad one deals with a change in the relationship between society and the state as a whole, focusing mainly on a general withdrawal of the state and a significantly larger role for the market.³⁸ By also taking into account issues concerning ideology and power, this broad view is more in line with the way critical authors view the term. The narrow meaning of the term is simpler, and mainly looks at neoliberalism as a shift in economic policies.³⁹ These economic policies would increasingly be focused on a larger role for the market in the economy. This list of economic policies would later come to be directly associated with the Washington Consensus. The Washington Consensus is often seen as the embodiment of neoliberalism in its economic sense. Although those supporting the idea of a new liberalism by Lippmann and those participating in the debates about in which direction this new liberalism should go initiated the creation of international organizations to spread their idea of new liberalism, the outbreak of World War II would put a hold on the attempt to unite the forces of this idea of a different or new brand of liberalism. After the end of World War II, the Mont Pelerin Society (MPS) was established in 1947. This society included well known economists such as Friedrich Hayek, Georg Stigler and Karl Popper. In April of 1947, the MPS produced a 'Statement of Aims' which included six major tasks that would continue to guide neoliberal thought. Among these six tasks were economic freedom, individualism as well as strong belief in international trade.⁴⁰ It wouldn't be before the Keynesian Consensus 'fell', that neoliberalism truly came the fore. As stated above, it is especially in the Washington Consensus that neoliberal thought and economic policy has truly come to fruition.⁴¹ Although debate remains about whether the Washington Consensus can be seen as neoliberal or not, it is overwhelmingly given this definition in the academic world.⁴² In its original version the Washington Consensus by John Williamson contains a total number of ten economic reform policies. Summarized, these are 1.) Fiscal discipline 2.) Public expenditure priorities 3.) Tax reform 4.) Financial liberalization 5.) Unified exchange rates 6.) Trade liberalization 7.) Foreign direct investment 8.) Privatization 9.) Deregulation 10.) Property rights.⁴³

³⁸ M. Walton, 'Neoliberalism in Latin America: Good, Bad, or Incomplete?', *Latin American Research Review* 39 (2004) 3, 165-183, there 165.

³⁹ Walton, 'Neoliberalism in Latin America', 165.

⁴⁰ Plewhe, 'Introduction', 25-26.

⁴¹ A. Saad-Filho, *Growth, Poverty and Inequality: From Washington Consensus to Inclusive Growth* (New York 2010), 3-4.

⁴² E. Sheppard and H. Leitner, 'Quo vadis neoliberalism? The remaking of global capitalist governance after the Washington Consensus', *Geoforum* 41 (2010), 185-194, there 185.

⁴³ J. Williamson, 'Lowest Common Denominator or Neoliberal Manifesto? The Polemics of the Washington Consensus', in: R.M. Auty and J. Toye (ed.), *Challenging the Orthodoxies* (New York 1996), 14-15.

The term neoliberalism will in this paper come to signify a specific set of economic policies that are associated with the Washington Consensus. In doing so, this paper describes neoliberalism solely as an economic doctrine, one that Chang describes looks at neoclassical economics combined with the idea of rational choice-based theories about human behavior and comes to the conclusion that the role of the state in regulating economic activity should be strongly limited.⁴⁴ Taking into consideration the lack of space in this paper, the ten neoliberal economic reforms will be brought back to three. The analysis of the economic programs of the final presidential candidates will therefore focus on:

1. Privatization of state owned enterprises in both the public and industrial sectors
2. The increased liberalization of trade
3. Fiscal discipline

1.2 Method

The analysis in this paper will focus on the victors of the first round of the presidential elections in Brazil and their plans regarding economic policy. Therefore, the method that will be utilized to analyze whether or not neoliberal economic policy is making a return in Brazil is that of content analysis. The method of content analysis has been previously used in International Relations research mainly from the 1940s until the 1960s, after which the method became much less used until it resurfaced at the start of the 21st century. Content analysis mainly focuses on analyzing the content of communications. As argued by Pashakanlou, this means that practically all material in which any sort of message is conveyed can be analyzed in a content analysis study.⁴⁵ The analysis in this paper will mainly look into a specific set of content, divided across both written and oral content. As far as written content is concerned, the *programa de governo* or governance program of the selected candidates will be analyzed to determine what the likely course of action will be from each of the candidates in case they are elected concerning privatization, austerity and trade liberalization. Other written content that may be analyzed in this paper is for example candidate- or party websites and articles in (prominent) journals across Brazil and international media and opinion based articles. However, oral communication will also be taken into account. Likely oral content that will be analyzed are presidential debates and televised interviews. What has to be considered here, is the fact that due to injuries suffered during an attack on September 6th, candidate Jair Bolsonaro has since that date been significantly less active. For example, the large and final debate before the first

⁴⁴ H.-J. Chang, 'The Market, the state and institutions in economic development', in: H.J. Chang (ed.) *Rethinking development economics* (2003), 41-60, there 43.

⁴⁵ A.H. Pashakanlou, 'Fully Integrated Content Analysis in International Relations', *International Relations* 31 (2017) 4, 447-465, there 449.

round of votes on October 4th was held without Bolsonaro, who was advised against participating by his doctors.

As has been stated earlier in this paper, those in favor of 'neoliberal' economic policy rarely refer to the policies they support or to themselves as being neoliberal. It is therefore not likely that any of the presidential candidates will directly present themselves as being neoliberal nor use the word 'neoliberal' in their programs or speeches. The focus in the content analysis will therefore mainly be on what the point of views of the candidates on the three relevant fields (see above) are. Therefore, when studying the *programa de governo* of the candidates, other words such as *privatizar*, *comércio* and *reforma da previdencia* will be the main point of attention. At a later point in this paper, the move to neoliberal economic policy under current president Michel Temer will be presented to the reader. The opinions of the candidates on the reforms of Temer can also be seen as an indicator: if the candidates are likely to continue certain reforms of the Temer administration, this can be seen as an indication that they are moving toward a more neoliberal Brazil.

2. Retreat of neoliberal policy

The function of this chapter is to showcase this retreat of neoliberalism at the hand of some specific examples. Although Donald Trump and the United States are mentioned excessively across many different forums, including the academic world, his economic policy in a lot of ways exemplifies the partial retreat of neoliberal economic policy. The United States under the administration of Donald Trump will therefore serve as an example in the first section of this chapter. Secondly, the focus will shift to International Financial Institutions such as the International Monetary Fund (IMF) and the World Bank: these institutions are often seen as some of the main instruments through which the neoliberal agenda has been pushed on (developing) countries. A move away from neoliberalism in these institutions would strongly reinforce the hypothesis that neoliberal economic policies are retreating worldwide.

2.1 The United States of America under Donald Trump

In which sense can a retreat of neoliberal policy be seen in the events that transpired in the United States in the last few years? An extensive look into the economic policies of the Trump administration based on the economic reforms defined in chapter 1.1 would take up a significant amount of space in this paper. Therefore a specific of example of economic policy in the United States will be analyzed to demonstrate this retreat, namely that of trade liberalization. In this section of the paper trade policies of the Trump administration will therefore be analyzed. Main aspects taken into account here will be increasing tariffs and looming as well as active 'trade wars' between

the United States and mainly, but not solely, China. Additionally, the discontent of the current American president with several large scale trade deals will be taken into account.

Trade liberalization is among the most important reforms prescribed in the Washington Consensus, and has been an important part of the narrative of Donald Trump since the start of his participation in the elections of 2016, mainly in the sense of the reworking of or retreating from (free) trade deals.⁴⁶ Trump has often been described as an economic nationalist, a protectionist or an isolationist.⁴⁷ This can be exemplified at the hand of a number of cases, namely his retreat from the Trans-Pacific Partnership (TPP) negotiations, his low priority for continuing negotiations concerning the Transatlantic Trade and Investment Partnership (TTIP) and, more recently, the tariffs the United States under the Trump administration has been imposing on trade goods from China, Canada and Mexico. The TTP negotiations were to lead to a free trade agreement encompassing the United States and 11 other nations across the Pacific, including countries such as Mexico, Japan, Chile and India. The United States under the Obama administration actively negotiated and pursued this agreement for years, which finally led to the signing of the deal in Auckland, New Zealand on February 4th of 2016. The TPP agreement could, according to the rules set up, not be implemented if less than 85 percent of the gross domestic product (GDP) of the participating countries ratified the agreement.⁴⁸ Trump started his barrage of criticism on the TPP in April 2015, several months before announcing his participation in the presidential elections. In his criticism he stated that the TPP was ‘an attack on American businesses’ that would ‘squeeze our manufacturing sector’, as well as ‘lead to even greater unemployment’ while it ‘does not address currency manipulation’.⁴⁹ After winning the elections, Trump signed an executive order withdrawing the United States from the TPP. With the United States counting for around 60 percent of the GDP of this trade bloc, this essentially meant the end of TPP, although other nations such as Japan are actively attempting to come to an agreement without the United States. The fact that the Trump administration pulled back from this trade deal, which would have been among the largest trade deals ever signed, is an indicator of a retreat from neoliberal economic policy.

⁴⁶ W. Neil, ‘Major miscalculations: globalization, economic pain, social dislocation and the rise of Trump’, *Real-world economics review* 79 (2017), 13-28, there 16-17.

⁴⁷ D.A. Irwin, ‘The False Promise of Protectionism: Why Trump’s Trade Policy Could Backfire’, *Foreign Affairs* 96 (2017) 3, 45-56, there 45.

⁴⁸ The Japan Times, ‘Tokyo signals U-turn on TPP, moves to activate trade pact sans U.S.’ (April 16th 2017), <https://www.japantimes.co.jp/news/2017/04/16/national/tokyo-signals-u-turn-tpp-moves-activate-trade-pact-sans-u-s/#.W4P-1-gzblV> (August 2nd 2018).

⁴⁹ A. Taylor, ‘A timeline of Trump’s complicated relationship with the TPP’ (April 13th 2018), https://www.washingtonpost.com/news/worldviews/wp/2018/04/13/a-timeline-of-trumps-complicated-relationship-with-the-tpp/?noredirect=on&utm_term=.f64e33303419 (August 3rd 2018).

Increasing use of tariffs by the Trump administration against other nations is another indicator of trade liberalization being under attack.. The imposing of tariffs on imported goods is not an entirely strange phenomenon in American politics, nor is there a lack of examples in which import tariffs existed in neoliberal economies. However, more commonly import tariffs existed prior to neoliberal economic policy being implemented in nations (think of Chile, Brazil) and would be reduced after the implementation of neoliberal economic policy.⁵⁰ In the early 2000s, the steel industry in the United States was in dire straits. With about one-third of the steel industry falling into bankruptcy, in 2002 the George W. Bush administration resorted to imposing tariffs ranging between 8-30 percent on major steel products.⁵¹ These steel tariffs lasted until 2003. A similar situation occurred under the Obama administration, when a significant surge in tire exports from China caused problems for the U.S. tire industry and resulted in the displacement of thousands of jobs. In 2009 the Obama administration responded by imposing import tariffs of 35% on these products.⁵² These tariffs, although decreased over the years, would remain imposed until 2012.⁵³ The common denominator in these examples is that the tariffs were focused on a specific sector and were rather limited. Under the Trump administration, the United States has actively pursued a much broader policy of imposing tariffs on foreign produced goods. Among others, the Trump administration has either threatened with or actually imposed tariffs on goods from the EU, China and Turkey. The tariffs imported by the United States have for the most part been answered in similar terms by those on the receiving end. After the United States imposed import tariffs on steel and aluminum from the European Union, the European Union responded by specifically and politically targeted import tariffs worth a total of 3.4 billion U.S. dollars on American products such as bourbon, Harley-Davidson motorcycles and orange juice.⁵⁴ The United States similarly put tariffs on aluminum and steel imported from Turkey. Although these examples are indicators of pressure on the idea of 'trade liberalization', the tariffs imposed by the United States on China and vice versa are the most substantial. The tariffs imposed by these nations reach into the hundreds of billions worth of goods. Goods targeted include such products as flat screen TV's, soybeans, SUV's, whiskey, tractors, chemicals and many others including industrial equipment. The United States has become 'fully

⁵⁰ M. Fourcade-Gourinchas and S.L. Babb, 'The Rebirth of the Liberal Creed: Paths to Neoliberalism in Four Countries', *American Journal of Sociology* 108 (2002) 3, 533-579, there 545.

⁵¹ B.A. Blonigen, B.H. Liebman and W.W. Wilson, 'Trade Policy and Market Power: The Case of the U.S. Steel Industry', *National Bureau of Economic Research* (2007), 1-42, there 7.

⁵² J. Weisman, 'U.S. to Impose Tariffs on Chinese Tires' (version September 13th 2009), <https://www.wsj.com/articles/SB125271824237605479> (August 10th 2018).

⁵³ L. Lim, 'Trump's Protectionism: Method to Madness?', *RSIS Commentary* 47 (2018), 1-4, there 1.

⁵⁴ K. Calamur, 'Trump has already started four trade wars- and counting' (version July 6th 2018), <https://www.theatlantic.com/international/archive/2018/07/us-china-tariffs/564440/> (August 12th 2018).

embroiled in a multifront trade war in which the combatants include both close U.S. allies and rivals.⁵⁵

Much like the United States dropping of the TPP trade agreement, its increasing imposing of tariffs on both allies and rivals to the United States is a clear sign of a retreat of neoliberal economic policy in the United States. The ‘trade war’ with China could be argued to lead to a retreat in the field of foreign direct investment as well, although this may be an unintended consequence of the American tariffs on China: in the first half of 2018, Chinese direct investments in the United States were at 1.8 billion in U.S. dollars. Compared to the same period in 2017 this signified a decrease in Chinese direct investment of roughly 90 percent.⁵⁶ Whether intentional or not, the policy of imposing tariffs on foreign imports seems to also affect the United States economy in the area of foreign direct investment, another aspect of neoliberal economic policy.

2.2 International Financial Institutions

International Financial Institutions (IFI) such as the International Monetary Fund (IMF) and the World Bank have often been described as agents of neoliberalism.⁵⁷ A strong example of this is the relationship of the IMF with policies of the Washington Consensus in South America where the outbreak of the debt crisis caused the governments of nations such as Mexico and Brazil, suddenly confronted with unpayable debts, to turn to the IMF. The IMF, who’s conditional loans were previously denied by Brazil, now had the possibility to provide these conditional loans to Mexico and Brazil; this has come to often be described as the direct cause of a ‘lost decade’ for growth in these nations.⁵⁸ More recently, however, the retreat from neoliberalism is also exemplified by some of these (former) front-runners of neoliberal economic policy. As stated by Babb and Kentikelenis, the role of the IMF in the Asian financial crisis of the late 1990s is the main reason why IFIs have come to be increasingly criticized: ‘In response to these and other challenges, the Bretton Woods twins embarked on a range of organizational changes, intended to challenge the perceptions that they were single-minded advocates of one-size-fits-all neoliberal economic reforms.⁵⁹ This increased criticism and the attempt of ‘the Bretton Woods twins’ (IMF and World Bank) to change the perception that exists of these organizations seems to have led to increased criticism within these

⁵⁵ Calamur, ‘Trump has already started four trade wars’ (version July 6th 2018), <https://www.theatlantic.com/international/archive/2018/07/us-china-tariffs/564440/> (August 13th 2018).

⁵⁶ Bloomberg, ‘China’s Investment in the U.S. is Collapsing as Trade War Flares’ (version June 20th 2018), <https://www.bloomberg.com/news/articles/2018-06-20/china-s-investment-in-the-u-s-is-collapsing-as-trade-war-flares> (August 14th 2018).

⁵⁷ S. Babb and A. Kentikelenis, ‘International Financial Institutions as Agents of Neoliberalism’, in: D. Cahill, M. Cooper, M. Konings and D. Primrose (ed.) *The SAGE Handbook of Neoliberalism* (2018), 16-27, there 18.

⁵⁸ Babb and Kentikelenis, ‘International Financial Institutions as Agents of Neoliberalism’, 19.

⁵⁹ *Ibidem*, 21.

institutions as well. In the June 2016 edition of *Finance and Development*, a quarterly published magazine by the IMF, it is written that certain aspects of the neoliberal economic agenda have not been as successful as previously believed. The critique mainly focuses on the aspect of austerity. Although the criticism from within the IMF has been extensively picked up as ‘the failure of neoliberalism’ by authors critical of these policies, it is important to take note that the authors of this paper state that ‘there is much to cheer in the neoliberal agenda.’⁶⁰ Positive contributions of this agenda can be found expanding global trade having caused millions of people to be rescued from poverty, foreign direct investment having helped developing countries by creating the possibility for the transfer of technology and know-how, and privatization often created lower fiscal burdens on governments while simultaneously leading to more efficient provision of services.⁶¹

However, it is notable that criticism of neoliberalism has come from within the IMF, considered to be one of the front-runners of neoliberalism. The positive aspects mentioned above are followed by a more critical note in the form of an acknowledgement that certain aspects of neoliberal economic policy have not delivered as expected. This is mainly the case on the terrain of one of the main aspects of neoliberal economic policy; austerity. The criticism is focused on the effect of these measures on inequality, and in turn of the negative effects of increased inequality on the level and sustainability of growth.⁶² The authors conclude their article by pointing out that neoliberalism is likely not able to achieve what it was initially promised to, and that the IMF itself actively works on reconsidering the possible achievements. As stated by former chief economist Olivier Blanchard ‘what is needed in many advanced economies is a credible medium-term fiscal consolidation, not a fiscal noose today.’⁶³ This was followed by a statement in 2013 by Managing Director Christine Lagarde in which she agreed with the United States Congress decision to raise the debt ceiling of the country: ‘the point is not to contract the economy by slashing spending brutally now as recovery is picking up.’⁶⁴

A similar, although much more careful, situation can be identified at the World Bank. Much like the IMF, the World Bank is known for its strong conviction to neoliberal policy. Trade wise the World Bank has traditionally been a strong proponent of removing trade restrictions and either closing down or privatizing state industries.⁶⁵ Additionally, the World Bank often encouraged African

⁶⁰ J.D. Ostry, P. Loungani and D. Furceri, ‘Neoliberalism: Oversold?’, *Finance and Development* (2016), 38- 41, there 38.

⁶¹ Ostry, Loungani and Furceri, ‘Neoliberalism: Oversold?’, 38.

⁶² *Ibidem*, 39.

⁶³ *Ibidem*.

⁶⁴ *Ibidem*.

⁶⁵ H. Stein, ‘The World Bank and Neoliberalism: Continuity and Discontinuity in the Making of an Agenda’ (version July 28th 2014), <https://www.worldfinancialreview.com/?p=2580> (August 23rd 2018).

economies to focus their exports on the product they are able to produce most efficiently. For most of these nations, this meant an ever increasing reliance on the export on raw materials. As argued by Howard Stein, employment opportunities and linkage effects of manufacturing sectors are much larger than those in raw export sectors: the strategy the World Bank encouraged African countries to pursue therefore mainly led to few people profiting outside of local elites and foreign investors.⁶⁶ Jim Kim, who would become president of the World Bank in 2012 and currently still holds this position, stated in 2000 that ‘Even where neoliberal policy measures have succeeded in stimulating economic growth, growth’s benefits have not gone to those living in “dire poverty,” one-fourth of the world’s population,’⁶⁷ thereby showcasing some skepticism toward the effects of neoliberalism so far. Although these policies are still encouraged by the World Bank, the institution has come to push a neoliberalism that is increasingly focused on poverty reduction and social spending as opposed to solely seeking out economic growth that only profits the few.⁶⁸

The examples laid out above do not provide clear evidence of an ‘end of the neoliberal era’, such as some authors have argued.⁶⁹ It does, however, provide a clear image of the retreat of neoliberal economic policy such as put forward in this paper. In order to establish whether or not neoliberal economic policy is making a return in Brazil, the focus of the paper will now shift directly to this nation. Initially, the political situation in Brazil will be described, after which a return to neoliberal policy, contrary to the phenomenon described above, under the current administration will be showcased.

3. The situation in Brazil

To answer the question whether neoliberal economic policy is making a return in Brazil and why, the situation in the country itself needs to be clarified. In this section of the paper the political situation in Brazil will be provided. The main aspects considered will be events and circumstances that have led to the current political climate in the country. Factors that have long been an issue in Brazilian politics, such as corruption, will be discussed, as well as issues which have had a strong effect on the political climate such as violence and crime. This section will be followed by an analysis of the economic policies of the current Michel Temer administration and his move away from the economic policies of his predecessor Dilma Rousseff to ‘flirtation’ with -or return to- neoliberal economic

⁶⁶ Stein, ‘The World Bank and Neoliberalism’ (version July 28th 2014), <https://www.worldfinancialreview.com/?p=2580> (August 23rd 2018).

⁶⁷ Ibidem.

⁶⁸ Ibidem.

⁶⁹ M. Jacques, ‘The death of neoliberalism and the crisis in western politics’ (August 21st 2016), <https://www.theguardian.com/commentisfree/2016/aug/21/death-of-neoliberalism-crisis-in-western-politics> (August 25th 2018).

policy. This will exemplify the return to neoliberal policy in Brazil in comparison to the retreat of neoliberal policy worldwide. The last segment of this chapter will focus on the elections and serve as an introduction to the candidates.

3.1 The political situation in Brazil

In 2001, economists at Goldman Sachs proposed that Brazil, Russia, India and China would likely be among the dominant economies of the world by 2050.⁷⁰ Although BRIC, which later would also come to include South-Africa and therefore becoming BRICS, became a well-known and oft used acronym, in its early stages there was a significant amount of critique on the inclusion of Brazil: “A country with a growth rate as skimpy as its swimsuits, prey to any financial crisis that was around, a place of chronic political instability, whose infinite capacity to squander its obvious potential was as legendary as its talent for football and carnivals.”⁷¹ Despite extensive criticism in 2001, in the following years Brazil proved it earned its position in the list of the world’s rising economies when a set of remarkable economic improvements took place in the country. Between 2005 and 2011, around 40 million people were lifted up into the middle class, successfully turning this segment of the population into the largest social group in Brazil (54% of the population in 2011).⁷² In April of 2012, unemployment numbers had dropped to six percent from over 12 percent in 2003.⁷³ What helped create economic success in Brazil (though it cannot be given all credit) was the economic boom in Asia which created strong demand for commodity goods. Brazil, a known exporter of commodity goods such as sugar cane, soy beans, iron ore, coffee and ethanol, profited from this increased demand mainly due to the appreciation of the *real* which successfully increased purchasing power in Brazil from \$3.700 in 2000 to \$12.400 in 2011.⁷⁴

In the light of significant economic success, Brazil was awarded the 2014 World Cup and the 2016 Olympics. In Brazil this was seen as recognition, albeit late, of their rising standard in international politics.⁷⁵ While the financial crisis from 2008-2011 did not strongly affect Brazil, economic success in the country eventually ran out. The last few years, Brazil suffered from

⁷⁰ D. Wilson and R. Purushothaman, ‘Dreaming with BRICS: the Path to 2050’, *Goldman Sachs Global Economics* 99 (2003), 1-24, there 1.

⁷¹ The Economist, ‘Brazil Takes Off’ (November 12th 2009) <https://www.economist.com/node/14845197> (August 30th 2018).

⁷² F. Zizola, ‘Brazil’s new middle class’, <http://noorimages.com/feature/brazils-new-middle-class/> (September 1st 2018).

⁷³ L.M. Schineller, ‘Brazil’s economic success is based on more than the demand for natural resources’ (version Summer 2012), <http://www.americasquarterly.org/node/3811> (September 3rd 2018).

⁷⁴ Schineller, ‘Brazil’s economic success’ (version Summer 2012), <http://www.americasquarterly.org/node/3811> (September 3rd 2018).

⁷⁵ D. Biller, ‘Brazil’s Highs and Lows (version October 5th 2018) <https://www.bloomberg.com/quicktake/brazils-highs-lows> (September 3rd 2018).

significant economic recession. Although the worst of this recession has now passed, the economy is still in relatively bad shape. Unemployment is currently up to well over 12 percent,⁷⁶ placing it firmly back into the double digits and at roughly the same rate as it was in 2003. On top of economic issues Brazil struggles with a significant list of other problems such as political polarization and an increase in violence and crime. Most notably, however, Brazil has been and still is facing strong challenges in the field of corruption. The most famous recent example of this is the *Lava Jato* or Car Wash investigation, which has, among others, led to the impeachment of former president Dilma Rousseff of the PT, and the conviction of her predecessor and candidate for the presidential elections in 2018 Lula da Silva.

This investigation started as a case against money laundering in a gas station, but exploded into potentially the largest corruption scandal in Brazilian history. In essence a scheme through which the Worker's Party of Rousseff and the Brazilian Democratic Movement Party of current president Temer attempted to stay in power was unfolded.⁷⁷ Petrobras, the state-run oil company of Brazil, was at the center of this scheme. Through large-scale overcharging on contracts at Petrobras, proceeds were used to buy political support and to fund political campaigns.⁷⁸ Also involved was a score of other large businesses in Brazil. The investigation has had far stretching consequences and had led to the arrests of politicians as well as elites from the business world. The most notable persons affected by the investigation are Lula da Silva, Eduardo Cunha, Sergio Cabral and Dilma Rousseff. Lula, president of Brazil from 2003-2011 and still an influential figure in the current elections, was sentenced to 9 and a half years for corruption and money laundering.⁷⁹ Eduardo Cunha, president of the Chamber of Deputies from 2015-2016, was sentenced to over 15 years for taking bribes worth \$40 million and for obstructing investigations into his activities. Sergio Cabral, former governor of the state of Rio de Janeiro, was sentenced to 17 years for taking bribes worth \$64 million. Dilma Rousseff, president of Brazil from 2011 until her impeachment in 2016, was not convicted for involvement in the Petrobras scandal. Instead, she was impeached for fiscal pedaling to give the impression that more money was being received than was being spend. By September of 2016 239 people were officially accused and over \$10 billion in fines and 1148 years of jailtime was

⁷⁶ Trading Economics, 'Brazil Unemployment Rate 2012-2018 (version September 10th 2018), <https://tradingeconomics.com/brazil/unemployment-rate> (September 12th 2018).

⁷⁷ B. Winter, 'Brazil's 'Car Wash' Probe: Tell Me How This Ends' (version September 28th 2016) <http://www.americasquarterly.org/content/brazils-car-wash-probe-tell-me-how-ends> (September 12th 2018).

⁷⁸ Winter, 'Brazil's 'Car Wash' Probe' (version September 28th 2016) <http://www.americasquarterly.org/content/brazils-car-wash-probe-tell-me-how-ends> (September 13th 2018).

⁷⁹ C. Felter and R.C. Labrador, 'Brazil's Corruption Fallout' (version October 4th 2018) <https://www.cfr.org/background/brazils-corruption-fallout> (September 15th 2018).

handed out.⁸⁰ The Car Wash investigation has had a strong effect on the political situation in Brazil ahead of the elections of 2018. This effect is strengthened by increasing issues with violence and crime in the country.

An extensive analysis on crime in the city of Rio de Janeiro specifically, is given by Enrique Desmond Arias in his paper '*Crime and plural orders in Rio de Janeiro, Brazil*'. This paper describes the kinds of crime per area of the city, including crimes committed by drug traffickers, *milícias*, gangs as well as petty crimes.⁸¹ Although his work provides an excellent analysis, to clearly understand why violence and crime have had a strong effect on the political situation in Brazil it is of more use to directly look at the numbers and crime statistics. Between 1980 and 2010, approximately one million people were murdered in Brazil. Between 2002 and 2007, the homicide rate slightly decreased from 28.5 per 100.000 inhabitants in 2002 to 25.2 per 100.000 in 2007; by 2017, the homicide rate has increased to 30.8 per 100.000 inhabitants to a total of 63.880 homicides in 2017.⁸² To put this into perspective, there is often a strong focus on the climbing death toll as a result of the 'war on drugs' in Mexico. The number of homicides in Mexico in 2017 remained slightly below 30.000, thereby effectively staying below half the amount of homicides in Brazil. With a rate of violence in Brazil being greater than 10 homicides per 100.000 inhabitants. Therefore, the situation can officially be qualified as an epidemic.⁸³ Another way to analyze the scale of the problems with violence and crime in Brazil is to consider the amount of money that is spend on attempting to reduce crime. Taking into account insurance, cost of public security, productivity losses, associated legal and medical costs and private security, Brazil spend a total of 285 billion reais or 75 billion U.S. dollars on reducing crime in 2015: this was the equivalent of 4.38 percent of GDP in that year.⁸⁴ Finally, federal military intervention in the city of Rio de Janeiro in early 2018 exemplifies the fact that the country truly struggles with an epidemic of violence.

In a survey held in Brazil in late 2017, roughly half of the surveyed persons stated that improving security, health and inequality should be the priority for the next president. Roughly one-third of the surveyed persons stated that the new president should focus on combatting corruption.

⁸⁰ Winter, 'Brazil's 'Car Wash' Probe' (version September 28th 2016)

<http://www.americasquarterly.org/content/brazils-car-wash-probe-tell-me-how-ends> (September 13th 2018).

⁸¹ E. D. Arias, 'Crime and plural orders in Rio de Janeiro, Brazil', *Current Sociology* 65 (2017) 3, 448-465 there 452.

⁸² V. Dittmar, 'Brazil Homicides Reach New Record Levels: Report' (version August 13th 2018),

<https://www.insightcrime.org/news/brief/brazil-homicides-new-record-levels-report/> (September 16th 2018).

⁸³ D.V.S. Pereira, C.M.M. Mota and M.A. Andresen, 'The Homicide Drop in Recife, Brazil: A Study of Crime Concentrations and Spatial Patterns', *Homicide Studies* 21 (2017) 1, 21-38, there 21.

⁸⁴ D. Biller and F. Said, 'Brazil's Crime Costs Double in Two Decades to More Than \$75 Billion' (version June 11th 2018), <https://www.bloomberg.com/news/articles/2018-06-11/brazil-s-crime-costs-double-in-two-decades-to-over-75-billion> (September 18th 2018).

A relatively small portion of the persons surveyed argued that the focus should be on improving the economy.⁸⁵ This survey demonstrates the effect that corruption, crime and violence have had on the political situation in Brazil: most Brazilians consider these issues to be a priority for the next president. To a certain extent, the political situation in Brazil is comparable to that of many other areas in the world anno 2018. Much like in the United States, other Latin American nations and a significant amount of countries within Europe, anti-establishment and nationalistic attitudes are on the rise in Brazil. In the United States, Donald Trump successfully campaigned on a strong anti-establishment message. The Brexit campaign in the United Kingdom campaigned with a similar anti-establishment and nationalistic message, through which it too achieved success. These electorate outcomes both revealed a strong challenge to the established political norms as a strong divide or polarization between different groups of people within society and between different groups of citizens.⁸⁶ While much of the media focus is specifically on these two examples of anti-establishment politics, the list does not end there. The Brazilian presidential elections that are set to take place in October of this year will have a similar political climate. This is most strongly exemplified by a specific candidate that runs with a similar anti-establishment agenda, Jair Bolsonaro, whom will be one of the candidates analyzed in this paper and whom will be more extensively discussed in a later section of this paper.

3.2 Michel Temer – flirtation with neoliberal policy

Following the impeachment of former president Dilma Rousseff, vice-president Michel Temer of the Brazilian Democratic Movement Party became the new president of Brazil. Under the Temer administration economic policy quickly changed on several levels, and many measures and attempted reforms can be identified to have taken place during his administration through which a firm case can be made that Brazil made a return to neoliberal economic policy during the last years. This turn to neoliberal policy is described as a return in this paper due to the previous neoliberal reforms under the presidency of Fernando Henrique Cardoso (1995-2003). Although some authors argue that neoliberal policies remained in place under his successor Lula and potentially even Rousseff, the economic policy under the Lula administration is often described to be neo-structural.⁸⁷ The main economic changes that either took place or have been attempted under the Temer administration can be found in the relevant fields of privatization, trade liberalization and fiscal

⁸⁵ Biller and Said, 'Brazil's Crime Costs Double' (version June 11th 2018), <https://www.bloomberg.com/news/articles/2018-06-11/brazil-s-crime-costs-double-in-two-decades-to-over-75-billion> (September 19th 2018).

⁸⁶ J. Rose, 'Brexit, Trump and Post-Truth Politics', *Public Integrity* 19 (2017) 555-558, there 555.

⁸⁷ M. Doctor, 'Brazil's Rise and the Role of Big Business' (version April 1st 2010), <http://saisjournal.org/posts/brazil's-rise-and-the-role-of-big-business> (September 17th 2018).

discipline. The significant change in economic policy that would be made under the Temer administration compared to the Rousseff administration became visible even before the official impeachment of his predecessor through comments of advisors and aides close to both figures. According to a top aide Rousseff would significantly ease austerity measures by increased expenditure on infrastructure and social programs if she survived the impending impeachment vote. Similarly Wellington Moreira Franco, coordinator of the economic program for Temer's *Movimento Democrático Brasileiro* (PMDB), stated that a government under Temer would focus on attracting increased private capital in the sectors of infrastructure, the oil sector, public works and the gas sector.⁸⁸ Although these statements by themselves demonstrate a clear shift away from the economic policies of the Rousseff administration, in the following section more (attempted) measures by the Temer administration will be demonstrated to exemplify the move away from the more leftist oriented policies of the Lula and Rousseff administrations toward neoliberal economic policy through economic reforms that play a major role during the current presidential campaign.

In the field of trade liberalization, Brazil has scored relatively low over the last decades; this is especially so in comparison to certain other Latin American countries. For example, since the creation of Mercosur in the 1990s Brazil (as of 2016) concluded a total of three Free Trade Agreements (FTAs), namely with Israel, Palestine and Egypt. In stark comparison to this, since the creation of NAFTA Mexico has successfully negotiated 40 FTA's.⁸⁹ This is likely due to Brazil's historical economic ties to the import-substitution model, which traditionally put extremely heavy tariffs on imports across many sectors. Although with earlier trade liberalization during the early 1990s tariffs on average fell from over 30 percent to roughly 13 percent,⁹⁰ tariffs on imports have continued to play a large role in Brazilian economic policy. The economic crisis that Brazil went through in the last few years, however, created the possibility for policy reforms in the sector of trade. As described by Pedro da Motta Veiga, some support has been gathered among business leaders, academics and policy makers; mainly those from the Brazilian Ministry of Finance, although strong resistance from mainly the public sector remained.⁹¹ Da Motta Veiga continues to argue that for president Temer the timing and overall situation both domestically and internationally is not a

⁸⁸ A. Soto, 'Exclusive: Brazil's Temer aims at gradual fiscal overhaul, market-friendly policies' (version April 14th 2016), <https://www.reuters.com/article/us-brazil-politics-policy/exclusive-brazils-temer-aims-at-gradual-fiscal-overhaul-market-friendly-policies-idUSKCN0XA2RY> (September 10th 2018).

⁸⁹ M. Troyjo, 'In Order to Reemerge, Brazil Will Need More Global Trade' (version February 8th 2016), https://www.huffingtonpost.com/entry/in-order-to-reemerge-brazil-will-need-more-global_us_57a0aa57e4b004301c51dbf8?guccounter=1 (September 19th 2018).

⁹⁰ R. Dix-Carneiro and B. Kovak, 'The evolving impact of trade liberalization on wages and employment in Brazil' (version September 15th 2017), <https://voxdev.org/topic/firms-trade/evolving-impact-trade-liberalisation-wages-and-employment-brazil> (September 20th 2018).

⁹¹ P. da Motta Veiga, 'Trade Liberalization in Brazil: When and How?' *Issue Brief no. 03.21.17*, Rice University's Baker Institute for Public Policy, 1.

favorable one to push for trade liberalization. Although, as stated above, there has recently been some limited increased support for policy reforms in the trade sector, the resistance from those same sectors (private sector, policymakers and academics) still remains high.⁹² Internationally speaking, Brazil has entered negotiations for FTAs rather late and in an international political climate where, especially among the ‘developed’ nations, trade liberalization and initiatives to start new negotiations are increasingly less popular.⁹³ In developed nations this is exemplified by a move towards protectionist measures and ‘trade wars’ that have begun more recently but also by strong opposition of the public against large scale FTAs such as the protests across Europe against TTIP.⁹⁴ Despite both domestic and international unfavorable circumstances to become actively involved in increased trade liberalization and despite the short presidential term for Temer (roughly two years) which formed another hurdle, his administration actively attempted to liberalize trade in Brazil.

This is exemplified by the hard push for a free trade agreement between Mercosur and the European Union since Temer his rise to the presidency. The talks for a free trade agreement between these two blocs started in 1995, but were put on hold by the European Union in 2004. After this, talks did not start up again until 2010: although former president Rousseff pursued this trade deal, it has been in the last two years under the Temer administration that Brazil increasingly pushed for an agreement to be found. Foreign minister Aloysio Nunes Ferreira of Brazil stated that the moment for a trade deal is now, especially considering the rise of more populist as well as left wing sentiments in both the European Union and Brazil.⁹⁵ The website of the European Union states that one of the main goals of the agreement between these two large blocs is to remove barriers for both exporters and investors in the Mercosur member states.⁹⁶ Additionally, by signing the Presidential Declaration of Buenos Aires on December 10th of 2017, Brazil made a push to increasingly liberalize trade between them and the nine other signatories of this declaration. Among others the signing of this declaration reconfirmed the attempts and commitment of these nations to reduce trade barriers between them.⁹⁷

⁹² Da Motta Veiga, ‘Trade Liberalization in Brazil’, 3.

⁹³ Ibidem.

⁹⁴ T. Misra, ‘How to Mis-understand Trade’ *Issue Brief no. 169 01-2017 ORF*, 6.

⁹⁵ J. Leahy and A. Schipani, ‘Brazil seeks to conclude Mercosur-EU trade deal after 20-year talks’ (version September 4th 2018), <https://www.ft.com/content/08d20f78-afef-11e8-8d14-6f049d06439c> (September 22nd 2018).

⁹⁶ European Commission, ‘EU-Mercosur’ (version June 18th 2018), <http://ec.europa.eu/trade/policy/in-focus/eu-mercosur-association-agreement/> (September 15th 2018).

⁹⁷ Brazil Government News, ‘Heads of Latin American countries sign declaration against trade barriers’ (version December 10th 2017), <http://www.brazilgovnews.gov.br/news/2017/12/heads-of-latin-american-countries-sign-declaration-against-trade-barriers> (September 5th 2018).

Similarly, the Temer administration pursued privatization as an economic policy. In late August of 2016, well before the inauguration of Temer, Simon Romero wrote an article in the New York Times in which he stated that under the new president Brazil was likely to see a push toward the privatization of state-owned enterprises.⁹⁸ This prediction would turn out to be correct: in 2017 it was announced that the Temer administration would pursue the privatization of 57 public owned airports and companies, listing the reduction of Brazil's large fiscal deficit as main motivation.⁹⁹ Privatization has long been a heavily debated issue in Brazilian politics, causing this plan for the privatization of a large number of companies to be met with strong opposition. The case of the company *Centrais Elétricas Brasileiras*, better known as Eletrobras in Brazil, exemplifies the difficulties with privatization in Brazil. Generating one-third of Brazil's electricity Eletrobras is a significant state-controlled company in the field of power utilities with a total of 13 subsidiaries. The Temer administration originally planned for the privatization of the company to be achieved in two parts. Initially the distribution subsidiaries of the firm would be sold off, the actual privatization of Eletrobras itself would follow in a later stadium within 2018.¹⁰⁰ Carlos Caicedo argued in April of 2018 that the sale of Eletrobras would come with significant issues, mainly due to the political culture in Brazil: politicians, and more specifically leaders of political parties, would likely demand involvement. At the same time, federal deputies especially from the North and Northeast of Brazil would likely resist the plans for privatization out of fear for the impact such a process could have on their popularity.¹⁰¹ The sale of six of Eletrobras' power distributors was planned for July 26th of 2018. In June of that same year, however, both due to actions of Congress and from a Supreme Court justice, this process was delayed. Congress postponed the vote for a bill that was intended to attract potential investors to the sale of the power distributors. Shortly after, the sale of the distributors was delayed by the decision of a Supreme Court justice to forbid the sale of state-run companies without approval from Congress.¹⁰² To exemplify the difficulty of this process: this Supreme Court justice decision was overruled in late July of 2018 by a Brazilian federal judge, effectively opening the road

⁹⁸ S. Romero, 'New President of Brazil, Michel Temer, Signals More Conservative Shift' (version May 12th 2016), <https://www.nytimes.com/2016/05/13/world/americas/michel-temer-brazils-interim-president-may-herald-shift-to-the-right.html> (June 20th 2018).

⁹⁹ Telesur, 'Fire Sale: Brazil's Temer Government to Privatize 57 Firms' (version August 23rd 2017), <https://www.telesurtv.net/english/news/Fire-Sale-Brazils-Temer-Government-To-Privatize-57-Firms-20170823-0044.html> (June 25th 2018).

¹⁰⁰ C. Caicedo, 'Brazilian Privatizations' (version April 11th 2018), <https://www.ihsmarket.com/research-analysis/Brazilian-privatizations.html> (July 10th 2018).

¹⁰¹ Caicedo, 'Brazilian Privatizations' (version April 11th 2018), <https://www.ihsmarket.com/research-analysis/Brazilian-privatizations.html> (July 11th 2018).

¹⁰² S. Valle and S. Adghirni, 'Fast Cash Eludes Brazil With New Hurdles to Energy Auctions' (version June 27th 2018), <https://www.bloomberg.com/news/articles/2018-06-27/fast-cash-eludes-brazil-as-congress-delays-power-oil-auctions> (August 5th 2018).

to continue the privatization of Eletrobras.¹⁰³ At this point in time, Eletrobras has not been privatized, thereby effectively making the Temer administration's policy to privatize a large number of state-owned enterprises one of the larger issues in the upcoming elections, especially considering the fact that in a poll conducted by Telesur 57 percent of respondents stated to oppose the privatization of Eletrobras specifically. On top of that, over half of respondents stated to oppose privatizations in general.¹⁰⁴ The effect of this privatization policy on the elections in Brazil will be further discussed in the analysis of the presidential candidates and their economic plans.

In a report published by the World Bank in 2017 it was concluded that the Brazilian government overspends by a large amount. Increasing revenues for the government during the 2000s, the report states, have gone hand in hand with a strong increase in expenditures. These expenditures kept rising even after government revenues stopped increasing, which eventually led to a surplus of 2.9 percent of GDP in 2004 to turn into a deficit of more than 2 percent of GDP in 2016.¹⁰⁵ The report blames the increasing fiscal pressure in Brazil on a growth of 'mandatory primary expenditures': "More than half of the increase in primary spending was due to increased social programs (53 percent), especially pensions."¹⁰⁶

Over the past two years, the Temer administration has actively pushed for a significant reform of the public pension system in Brazil. This attempted reform, the goal of which was to obtain control over rampant public spending, is a final example through which a flirtation with neoliberal policy under this administration can be identified, in this case in the field of austerity. The main reason for the impeachment of Rousseff was the fiscal pedaling that took place under her administration to give the impression that the Brazilian government was receiving more money than it was spending, showing us how sensitive this subject is perceived to be in Brazil. The Temer administration, similar to the World Bank report, concluded that reforms of the pension system were essential to regain control over public spending and has over the last two years actively attempted to carry out these reforms that are often described as 'the cornerstone policy (...) to bring the deficit

¹⁰³ G. Slattery and S. Orlofsky, 'Brazil's Eletrobras wins court decision in privatization process' (July 18th 2018) <https://www.reuters.com/article/us-eletrobras-privatization/brazils-eletrobras-wins-court-decision-in-privatization-process-idUSKBN1K81KR> (August 10th 2018).

¹⁰⁴ Telesur, 'Most Brazilians Against Privatization of Public Companies: Poll' (version May 30th 2018), <https://www.telesurtv.net/english/news/Most-Brazilians-Against-Privatization-of-Public-Companies-Poll-20180530-0008.html> (August 10th 2018).

¹⁰⁵ World Bank Group, 'A fair adjustment: Efficiency and equity of public spending in Brazil' (November 2017), 21.

¹⁰⁶ World Bank Group, 'A fair adjustment' (November 2017), 22.

under control.¹⁰⁷ Brazil's current pension system is divided over public- and private sector workers, with especially public sector retirees enjoying generous pensions. The World Bank report calculated that, if reforms do not pass, by 2030 some states and municipalities will spend up to one third of their net current revenues to finance pension deficits.¹⁰⁸ Despite the strong attempts to successfully conduct the pension reforms, an actual vote on the matter in the lower house of Congress has been continually postponed, likely due to lack of public support.¹⁰⁹ The described problems with violence and crime in Brazil has had strong effect on the attempts of the Temer administration to push pension reforms: in February of 2018 the federal government intervened in the city of Rio de Janeiro by deploying the military in order to combat drug trafficking and organized crime in the city. By law constitutional amendments (the right to retirement benefits is engraved in the 1988 Constitution of Brazil) are blocked during federal intervention in any state. Although the opinion has been voiced that the military intervention was a measure solely taken to by the government to avoid having to acknowledge defeat on the issue of pension reform, Fabio Sousa, a congressman supporting the pension reforms, argued that the failure of the reforms by Temer simply means that it will now become an election issue: "the next president will have to do the fiscal adjustment, which is fine, because he will have a mandate from voters to do something about it."¹¹⁰

The push for neoliberal reforms and policies by the Temer administration has not been extremely successful. The administration lacked sufficient popular support and saw strong opposition among both the public and politicians. It has, however, been attempted to showcase that neoliberal policy is back on the menu in Brazil, and that it is now in the hand of the voters to decide which path Brazil will follow. Some of the reforms and policies attempted by the current administration, such as privatization and austerity in the form of pension reforms, now play a significant part in the elections and the campaigns of the candidates. A president with more popular support could likely attempt to push some of these reforms. We will turn to a short introduction of the candidates, after which the focus will shift to the analysis of their economic programs.

¹⁰⁷ A. Boadle, 'Brazil government presents softer pension reform bill' (version November 23rd 2017), <https://www.reuters.com/article/us-brazil-pensions/brazil-government-presents-softer-pension-reform-bill-idUSKBN1DN08M> (August 20th 2018).

¹⁰⁸ World Bank Group, 'A fair adjustment' (November 2017), 72.

¹⁰⁹ A. Dias Mesquita, 'The Case for Pension Reform in Brazil' (version May 29th 2018), <https://www.wilsoncenter.org/blog-post/the-case-for-pension-reform-brazil-unequal-and-exhausted-retirement-system-the-verge> (August 22nd 2018).

¹¹⁰ A. Boadle, 'Temer's failure on Brazil pension reforms leaves tricky task to successor' (version February 21st 2018), <https://www.reuters.com/article/us-brazil-politics-temer/temers-failure-on-brazil-pension-reform-leaves-tricky-task-to-successor-idUSKCN1G42Z9> (August 26th 2018).

3.3 The candidates

The remaining candidates in a sense represent increasing polarization with voters moving away from the center and to more clearly left or right wing parties. Jair Bolsonaro (PSL), can be argued to represent the populist right-wing electorate, as well as the market-friendly oriented. Fernando Haddad (PT), runner-up to Bolsonaro, represents the traditional left wing labor party. This section serves as a short introduction to each of the selected candidates.

Since his election to congress in 1991, Bolsonaro has worked on creating a base of support existing of mainly conservative Brazilians “who felt ignored – or maligned – by the post-dictatorship establishment.”¹¹¹ Much of the support Bolsonaro has can be explained by the distrust in the establishment and thereby effectively a significant number of politicians in Brazil. The hope that was expressed by the public in Brazil for politicians to clean their record after the impeachment of Rousseff was shattered quickly after the new president, Michel Temer, was charged for obstruction of justice and racketeering. Although not convicted, some of his close allies were found guilty of corruption (one was found to be hiding \$16 million in cash at his apartment) or obstruction of justice.¹¹² On top of that, former president Lula da Silva, still strongly adored by a significant part of the Brazilian population, has been convicted to nine and a half years in jail on corruption charges.¹¹³ The fact that Bolsonaro remains to be among the few politicians of prominence in Brazil to not be implicated in corruption scandals has had a positive effect on his appeal, and Bolsonaro has actively campaigned on the promise to combat political corruption and to keep the PT from regaining power. Additionally he presents himself as an evangelical Christian, a growing demographic in Brazil, mixing social conservatism with economic liberalism.¹¹⁴ Bolsonaro gained support through his message of a strong rule of law with a message against rising crime rates: the fact that the presidential candidate was attacked and stabbed during a political rally in Juiz de Fora could potentially increase support for this message. What will likely be the main issue for Bolsonaro during the elections is the rejection rate he is confronted with. As can be found in articles and journals across the world, including among others the NRC in the Netherlands, Bolsonaro is often referred to and portrayed as extreme right,

¹¹¹ B. Winter, ‘System Failure: Behind the Rise of Jair Bolsonaro’ (version 2017), <http://americasquarterly.org/content/system-failure-behind-rise-jair-bolsonaro> (September 10th 2018).

¹¹² Winter, ‘System Failure’ (version 2017), <http://americasquarterly.org/content/system-failure-behind-rise-jair-bolsonaro> (September 10th 2018).

¹¹³ J. DeVore, ‘Odebrecht’s Original Sins: Another Case for Reparations’, *NACLA Report on the Americas* 49 (2017) 4, 408-415.

¹¹⁴ The Economist, ‘Jair Bolsonaro, Latin America’s latest menace’ (version September 20th 2018), <https://www.economist.com/leaders/2018/09/20/jair-bolsonaro-latin-americas-latest-menace> (September 26th 2018).

misogynist, racist and homophobic in the media.¹¹⁵ The combination of politically incorrect statements made by Bolsonaro and the often negative attention he suffers in many media outlets are likely among the main reasons why Bolsonaro was found to suffer a 42 percent rejection rate, something that will potentially be troublesome during the upcoming second round of elections.¹¹⁶

Jair Bolsonaro is poised to face Fernando Haddad in the second round of the October elections. With the PT holding on to the false hope that da Silva would be allowed to run for president despite his 12 year sentence, da Silva only recently endorsed his former running mate as the official presidential candidate for the PT. The endorsement for Haddad by the popular former president immediately had a significant effect on the polls: within a week's time, support for Haddad grew from around eight percent to roughly 19 percent.¹¹⁷ Who is Fernando Haddad? Haddad, a Brazilian from Lebanese-Christian decent, has a long history with the PT. From 2005 until 2012, he served as Minister of Education under the da Silva and Rousseff administrations after which he served as mayor of São Paulo from 2013 until 2017. The "economic crisis, the political crisis and the ethical crisis", the PT was confronted with after the impeachment of Dilma Rousseff as well as large scale corruption scandals ensured that he would not be re-elected: during the municipal elections of 2016 the PT went from providing 644 cities with mayors to a merely 256 cities.¹¹⁸

The enormous contrast between Haddad on one side and Bolsonaro on the other provides a representation of the polarization and divide within Brazilian society. As fine example is the decision of Haddad in his role of minister of Education to distributing anti-homophobia information to public schools, a decision contended by Bolsonaro, whom is often reproached for being homophobic.¹¹⁹ The two candidates are not entirely different. Much like Bolsonaro, Haddad too will face a strong rejection rate of roughly 29 percent.¹²⁰ This can go two ways. First, Haddad will have the benefit of a smaller rejection rate which theoretically indicates that there is more room for support for Haddad

¹¹⁵ S. Peek, 'Braziliaanse presidentskandidaat Bolsonaro neergestoken' (version September 6th 2018), <https://www.nrc.nl/nieuws/2018/09/06/braziliaanse-presidentskandidaat-bolsonaro-neergestoken-a1615647> (September 20th 2018).

¹¹⁶ A. Boadle, 'Brazil's Bolsonaro still leads in presidential race, Haddad jumps to second – poll' (version September 19th 2018), <https://www.reuters.com/article/us-brazil-election/brazils-bolsonaro-still-leads-in-presidential-race-haddad-jumps-to-second-poll-idUSKCN1LZ00T> (September 25th 2018).

¹¹⁷ Telesur, Brazil: PT Candidate Fernando Haddad Widens Support, Now in 2nd Place' (version September 20th 2018), <https://www.telesurtv.net/english/news/Brazil-PT-Candidate-Fernando-Haddad-Widens-Support-Now-in-2nd-Place-20180920-0020.html> (September 27th 2018).

¹¹⁸ C. Rigby, 'How Lula's party fell from grace: the toppling of the Brazilian left' (version November 14th 2016), <https://www.newstatesman.com/culture/2016/11/how-lula-s-party-fell-grace-toppling-brazilian-left> (September 25th 2018).

¹¹⁹ B. McCann, 'Brazil's New Right', *Dissent* 65 (2018) 2, 114-121, there 121.

¹²⁰ Boadle, 'Brazil's Bolsonaro still leads' (version September 19th 2018), <https://www.reuters.com/article/us-brazil-election/brazils-bolsonaro-still-leads-in-presidential-race-haddad-jumps-to-second-poll-idUSKCN1LZ00T> (September 25th 2018).

to grow than there is for Bolsonaro. Second, the rejection rate for Haddad is likely to grow due to allegations of corruption, meaning theoretic growth for both Bolsonaro and Haddad in a second round of elections will be relatively similar. The allegations Haddad finds himself confronted with are centered on payments of debt regarding his campaign for mayor of São Paulo in 2012. Payments of up to three million Real were made by a construction company to a company providing printed materials for Haddad's campaign.¹²¹ Although Haddad will be able to continue his campaign, his potential involvement with corruption practices is likely to play into the hands of Jair Bolsonaro due to his running of a strong anti-corruption campaign.

4. Analysis of the economic programs

Is it likely for Brazil to continue the move towards neoliberal economic policy such as has been attempted by the Temer administration over the past two years? The *programma de governo* of each candidate as well as interviews, debates, speeches and written articles will be utilized in this section of the paper to determine to what extent a continuation of a return to neoliberal economic policy in Brazil is likely. As clarified above, the focus will be on policies regarding privatization, austerity and trade liberalization.

4.1 Jair Bolsonaro

Bolsonaro relies quite heavily on what is often described in the media as his 'economic guru', Paulo Guedes, for his economic policies. In an interview with Bloomberg the presidential candidate said to only possess a superficial knowledge of economics.¹²² Statements made by Guedes will therefore also be taken into account. Guedes, who enjoyed education at the University of Chicago, is seen as a strong free-market enthusiast and it is often considered he could play a similar role of implementing neoliberal reforms in a potential Bolsonaro administration as the "Chicago Boys" implemented in Pinochet Chile.¹²³ By bringing Paulo Guedes into his campaign, Bolsonaro attempted to showcase to business class and investors that a Brazil under his leadership will be dedicated to create a business friendly Brazil. Considering headlines such as 'Chicago Boy Helps Calm Bankers', this strategy has had

¹²¹ B. Brooks and P. Fonseca, 'Brazil Workers Party VP candidate Haddad charged with corruption' (version September 4th 2018), <https://www.reuters.com/article/us-brazil-election-haddad/brazil-workers-party-vp-candidate-haddad-charged-with-corruption-idUSKCN1LK1UO> (September 7th 2018).

¹²² D. Biller and C. Lucchesi, 'Chicago Boy Helps Calm Bankers' Fears About Brazilian Election Wild Card' (version April 2nd 2018) <https://www.bloomberg.com/news/articles/2018-04-02/chicago-boy-helps-calm-bankers-fears-about-brazil-wild-card> (May 20th 2018).

¹²³ P. Abramovay, 'Why Markets Should be Skeptical of Jair Bolsonaro' (June 13th 2018), <https://www.americasquarterly.org/content/why-markets-should-be-skeptical-jair-bolsonaro> (August 23rd 2018)

at least some effect.¹²⁴ Bolsonaro bringing Paulo Guedes into his campaign is especially interesting considering previous statements made in Congress, where he has showcased a more statist view by opposing putting an end to the state monopoly in the oil sector, efforts to reform pensions and privatization of the telecoms industry.¹²⁵ That is another important aspect to take into account: promises during the campaign for the presidential elections are no guarantee for the sort of economic policy that will actually be followed.

Privatization

The *programa de governo* of Jair Bolsonaro is named *O caminho da prosperidade*, or the path to prosperity, and consists of a total of 81 pages. The words of *privatizar* and *privatizações* are mentioned a total of ten times throughout the entire program. The words are mentioned 9 times in the section of *Economia* and once in the section of *Infraestrutura*. In the *Economia* section, the words are used throughout several categories. Firstly, privatization is mentioned twice in the section regarding the reduction of expenses due to interest, where it is stated that in 2017 over six percent or 400.8 billion Brazilian real of the national GDP was spent solely on interest rates. The program compares this to costs equal to a Marshall Plan per year, without the Brazilian population profiting in any way.¹²⁶ The answer the program provides to this problem is one that clearly shows the intentions of a potential Bolsonaro administration concerning privatizations. It is stated that debt will be reduced with 20 percent through, among others, privatizations: ‘Some state-owned companies will be extinguished, others privatized, and some strategic companies will be maintained.’¹²⁷ This view toward privatization can also be found in statements made by Bolsonaro in earlier interviews. For example, in early September 2018 he has stated that he was not familiar with the existence of any nations that have no state-controlled companies. In this interview, Bolsonaro argued that out of 140 *estatais* or state-controlled companies, a hundred could be privatized.¹²⁸ In this scenario, Bolsonaro purposely left certain companies with significant strategic value such as companies in the energy sector and Banco do Brasil out of the equation, although leaving the case of petrol giant Petrobras vague by only answering with a ‘maybe’. About a month earlier, in an interview with GloboNews,

¹²⁴ Biller and Lucchesi, ‘Chicago Boy Helps Calm Bankers’ (version April 2nd 2018) <https://www.bloomberg.com/news/articles/2018-04-02/chicago-boy-helps-calm-bankers-fears-about-brazil-wild-card> (May 21st 2018).

¹²⁵ Abramovay, ‘Why Markets Should be Skeptical of Jair Bolsonaro’ (June 13th 2018), <https://www.americasquarterly.org/content/why-markets-should-be-skeptical-jair-bolsonaro> (September 5th 2018)

¹²⁶ *Governing Program Jair Bolsonaro*, ‘O Caminho Da Prosperidade: Proposta de Plano de Governo’, 1-81, there 56.

¹²⁷ *Governing Program Jair Bolsonaro*, ‘O Caminho Da Prosperidade’, 56.

¹²⁸ R. Brito, ‘Bolsonaro fala em privatizar 100 estatais mas poupa BB, Caixa e “miolo” da Petrobras’ (version September 5th 2018) <https://economia.uol.com.br/noticias/reuters/2018/09/04/bolsonaro-fala-em-privatizar-100-estatais-mas-poupa-bb-caixa-e-miolo-da-petrobras.html> (October 1st 2018).

Bolsonaro stated that he would opt for the privatization of Petrobras 'if there was no solution.'¹²⁹ In a separate interview between Guedes and the journal *Folha de São Paulo*, Guedes presents himself as a strong proponent of privatization, including privatization of companies that are a sensitive topic in Brazil, such as Petrobras: 'why not sell Petrobras? Why would a company that assaults the Brazilian people continue at the hand of the state?'¹³⁰ Guedes concludes the questions about privatization by stating he is not in favor of privatization everything. 'Privatize half, then. That is already half of the debt.'¹³¹

A similar attitude toward privatization can be found in the section concerning tax reform. Besides strongly simplifying the complicated Brazilian tax system, the program calls for a general reduction of the tax burden which will be achieved, among others, through privatization programs. The vision of the potential Bolsonaro administration becomes especially clear, or perhaps reinforced, when studying the section of the program titled Privatizations and Concessions. In this section, it is argued that privatization is more than a matter of ideology - it is a matter of an efficient economy. All profits that are to be gained from privatization will be utilized to pay the public debt.¹³² The program here makes a direct link with the earlier encountered subject of reducing the expenses due to interest, this appears to be among one of the main goals of privatization. The word privatization enters the section on infrastructure only once and in a rather unclear way. First, the program presents the case that Brazil does an insufficient job in the world rankings in the field of infrastructure, which is followed by a statement that privatization together with de-bureaucratization and simplification (which could be interpreted as deregulation) in the sector of infrastructure will be a solution to this problem.¹³³ Guedes' believe in the Chicago Boys economics, which becomes clear through statements such as 'We should have done what the Chicago Boys instructed',¹³⁴ has found its way into the *programma de governo* and campaign of Bolsonaro. Policies of privatization seem to be likely in the case of a victory for Bolsonaro.

¹²⁹ G. Garcia and F. Matoso, 'Jair Bolsonaro diz que, se eleito, pode privatizar Petrobras 'se não tiver solução' (version August 4th 2018) <https://g1.globo.com/politica/eleicoes/2018/noticia/2018/08/04/jair-bolsonaro-diz-que-se-eleito-pode-privatizar-petrobras-se-nao-tiver-solucao.ghtml> (October 1st 2018).

¹³⁰ J. Siqueira, 'Paulo Guedes, economista de Bolsonaro: privatizar e reduzir impostos' (version February 2018), <http://expressonacional.com/paulo-guedes-economista-de-bolsonaro-privatizar-e-reduzir-impostos/> (September 28th 2018).

¹³¹ Siqueira, 'Paulo Guedes, economista de Bolsonaro' (version February 2018), <http://expressonacional.com/paulo-guedes-economista-de-bolsonaro-privatizar-e-reduzir-impostos/> (September 29th 2018).

¹³² *Governing Program Jair Bolsonaro*, 'O Caminho Da Prosperidade', 61.

¹³³ *Governing Program Jair Bolsonaro*, 'O Caminho Da Prosperidade', 70.

¹³⁴ Biller and Lucchesi, 'Chicago Boy Helps Calm Bankers'' (version April 2nd 2018) <https://www.bloomberg.com/news/articles/2018-04-02/chicago-boy-helps-calm-bankers-fears-about-brazil-wild-card> (October 1st 2018).

Trade liberalization

Much like in the case of privatization, the *programma de governo* of Bolsonaro strikes a tone that seems quite similar to that of the Temer administration. Where the Temer administration actively sought to reach free trade agreements, Bolsonaro's program indicates that he is inclined to follow this path. The words *comércio* and *commercial* can be found a total number of ten times in the program, spread across the sections of economics, agriculture and foreign affairs. The single mention of the word *comércio* in the agricultural section signifies solely a change in the federal agricultural structure, and is not relevant to this paper. The focus will therefore be on the economics and foreign affairs sections.

The mention of trade in the economic section immediately showcases the direction in which a Bolsonaro administration will likely attempt to take Brazil concerning trade liberalization: 'Facilitating international trade is one of the most effective ways to promote long term economic growth. The empirical evidence is robust: more open (to trade) countries are also richer.'¹³⁵ The program continues to describe Brazil as one of the least open countries to international trade, among others due to high import tariffs, which it argues is one of the direct reasons for Brazil to have trouble competing in technological sectors. This short section of the program attempts to demonstrate the positive effects of an open market to international trade, as well as the negative effects of a closed market to international trade. Immediately after this section, the program argues for a reduction of import rates and of non-tariff barriers.¹³⁶ There are some examples of Bolsonaro speaking about issues relating to trade in the media, but these are rather limited. An example is an interview held between Bolsonaro and Americas Quarterly, where Bolsonaro merely mentioned trade once: 'you can't be closed, like North Korea.'¹³⁷ Although Bolsonaro continues to state he is hoping for 'greater trade', not much more relevant information is given. This issue of Bolsonaro's *programma de governo* arguing for increased openness of the market to international trade on one side, but very few examples of him arguing for this in interviews or speeches, leaves his campaign open to counters from his opponents. The top economic advisor to Alckmin, Persio Arida, stated that Bolsonaro is giving false hope to those in the private sector and that Bolsonaro has statist and leftist economic views.¹³⁸ These are exemplified by the history of Bolsonaro's voting in Congress, where he

¹³⁵ *Governing Program Jair Bolsonaro*, 'O Caminho Da Prosperidade', 65.

¹³⁶ Ibidem.

¹³⁷ Winter, 'System Failure' (version 2017), <http://americasquarterly.org/content/system-failure-behind-rise-jair-bolsonaro> (October 2nd 2018).

¹³⁸ I. Dantas and B. Brooks, 'Brazil presidential candidate Bolsonaro offers false hope, says rival's aide' (version July 12th 2018) <https://www.reuters.com/article/brazil-politics-alckmin/brazil-presidential-candidate-bolsonaro-offers-false-hope-says-rivals-aide-idUSL8N1U75LQ> (October 2nd 2018).

voted against the breaking up of telecom and oil monopolies of the state as well as voted for an increase of salaries in the public sector.

In the section of the *programa de governo* concerning Itamaraty, the Ministry of Foreign Affairs of Brazil, the words *comércio* and *commercial* are mentioned twice. First, it is stated that foreign trade must be promoted by Itamaraty. This especially so with nations that can provide economic and technological value to Brazil. Secondly, it is stated that Brazil will no longer make trade deals with dictators.¹³⁹ The fact that the focus of Itamaraty under a Bolsonaro administration would switch to the increasing of trade with foreign partners combined with the statement earlier in the program that import tariffs will be reduced, would argue in favor of a continuation of the neoliberal economic policy of the Temer administration in the field of trade liberalization. It must, however, be noted that the reduction of import tariffs is mentioned only once in the program. On top of that, no examples have been found of either Bolsonaro or Guedes speaking about the reduction of import tariffs: it is on the agenda, but it is a subject that nor Bolsonaro, nor his economic advisor seem eager to bring attention to.

Austerity

The subject of austerity in this paper has been tied to the attempted reform of the pension system in Brazil, mainly due to the fact that the current pension system and its increasing costs has been identified by the World Bank to be one of the main causes for overspending by the Brazilian government.¹⁴⁰ The *programa de governo* of Bolsonaro has a section specifically concerning the *Reforma da Previdência* which will be analyzed. In addition, some recent statements made by several people of influence in the Bolsonaro camp will be taken into consideration.

In the section concerning pension reforms, the *programa de governo* of Bolsonaro mentions a change of systems all together. 'We must consider here the need to distinguish the traditional pension model, which is redistribution, from the capitalization model, which is intended to be introduced gradually in the country.'¹⁴¹ This new model is described as a system with individual capitalization accounts. Although 'participants' will be allowed to choose between the old and the new model, those who opt for the new model will be granted a reduction of labor charges.¹⁴² The program acknowledges that a transition from one regime to another will likely result in a shortage of resources in the old system due to working people opting to pay into new, individual accounts as

¹³⁹ *Governing Program Jair Bolsonaro*, 'O Caminho Da Prosperidade', 79.

¹⁴⁰ World Bank Group, 'A fair adjustment' (November 2017), 22.

¹⁴¹ *Governing Program Jair Bolsonaro*, 'O Caminho Da Prosperidade', 57.

¹⁴² *Governing Program Jair Bolsonaro*, 'O Caminho Da Prosperidade', 57.

opposed to their incoming payments being distributed among pensioners. To deal with this problem a separate fund will be created to compensate for the contributions in the old system. The concept of a system with individual capitalization accounts is not an entirely new one. In Pinochet Chile the pension system was reformed in a similar fashion between 1980 and 1981: Chile's current pension system is still a capitalized one.¹⁴³ By arguing in favor of a pension system of individual capitalization, Bolsonaro would directly follow into the footsteps of a former Chilean government known for its heavily neoliberal economic policies.¹⁴⁴ These policies were introduced under the economic guidance of what is often referred to as 'the Chicago Boys', graduates from Paulo Guedes' university. Although the program does not demonstrate a clear opinion in the Bolsonaro camp about the reforms proposed by Temer, these opinions can be found in often contradicting statements made by Bolsonaro and those closest to him.

The *programa de governo* in itself demonstrates the neoliberal ideas of Bolsonaro and his team concerning pension reforms, but recent statements made by different people of influence around Bolsonaro cast some doubt on the specific direction a potential Bolsonaro administration would head on the issue of pension reform. These recent and contradicting statements have been reported on by many major news outlets in Brazil, including *Globo* and *Folha de São Paulo*. In an interview in early October of 2018, Bolsonaro stated that pension reform should happen slowly. The Temer reforms, among others proposing to increase pension age for men from 60 to 65, are too rapid. In this interview Bolsonaro argues in favor of increasing the age from 60 to 61: 'If you make it 65 right away, it will not be approved because the left will make a huge campaign.'¹⁴⁵ Through these statements Bolsonaro can be found to agree with increasing the pension age, but he appears to not be rushed. Almost simultaneously Onyx Lorenzoni, a close advisor to Bolsonaro, stated that the pension reforms proposed by the Temer administration were 'a bad proposal, it is a piece of filth that resolves nothing.'¹⁴⁶ Olimpio Gomes, another Bolsonaro ally that won a seat in the Senate on October 7th, also opposed the current pension reforms stating that it is an 'exterminating bill.'¹⁴⁷ This careful approach from Bolsonaro as well as the outright opposition from others close to him are

¹⁴³ C. Mesa-Lago, 'Re-Reform of Latin American Private Pension Systems: Argentinian and Chilean Models and Lessons', *The Geneva Papers* 34 (2009), 602-617, there 609.

¹⁴⁴ D. Harvey, 'Neo-Liberalism as Creative Destruction', *Geogr. Ann.* 88 (2006) 2, 145-158, there 148.

¹⁴⁵ O Tempo, 'Bolsonaro promete tartar reforma da Previdência com 'calma e devagar' (version September 9th 2018), <https://www.otempo.com.br/hotsites/elei%C3%A7%C3%B5es-2018/bolsonaro-promete-tratar-reforma-da-previd%C3%Aancia-com-calma-e-devagar-1.2052914> (October 4th 2018).

¹⁴⁶ R. Brito and A. Boadle, 'Brazil's Bolsonaro opposes pension vote this year if elected: aide' (version October 10th 2018), <https://www.reuters.com/article/us-brazil-election/brazils-bolsonaro-opposes-pension-vote-this-year-if-elected-aide-idUSKCN1MK0XO> (October 10th 2018).

¹⁴⁷ Brito and Boadle, 'Brazil's Bolsonaro opposes pension vote' (version October 10th 2018), <https://www.reuters.com/article/us-brazil-election/brazils-bolsonaro-opposes-pension-vote-this-year-if-elected-aide-idUSKCN1MK0XO> (October 10th 2018).

problematic to say the least for the economic advisor to Bolsonaro, Paulo Guedes, who was argued in favor of the current pension reforms. Following these recent negative statements Guedes has said he will continue to insist on the urgency of the reform.¹⁴⁸ His continuing positive attitude toward the reforms are demonstrated by the fact that he recently met with officials from the Temer administration and spoke positively about them as well as the intended reforms.¹⁴⁹

These contradictory statements do not come as a surprise. The pension reforms have proven to be an extremely unpopular subject. Despite this it appears likely that neoliberal reform of the pension system will occur in a potential Bolsonaro administration. Economic advisor Paulo Guedes continues to argue in favor of the reforms and a clear vision on these reforms is of significant importance to investors.¹⁵⁰ Simultaneously, although Bolsonaro appears to not feel rushed to continue with the reforms, he stated that *'se você fizer com calma e devagar, você chega lá'*: if you do it calmly and slowly, you will get there.¹⁵¹ Additionally, the *programa de governo* argues for a system with individual capitalization accounts, a system based on previous neoliberal reforms in Chile. The reforms may continue slower than aspired by Guedes and the market, but they will continue.

4.2 Fernando Haddad

In comparison to Bolsonaro, whom in a sense has the benefit of being a former 'outcast' in the strongly tainted Brazilian politics and of having little affiliation to corruption scandals or long term governing experience, Haddad is in a very different situation. The PT candidate has been affiliated with the PT for a long time, serving as minister of Education under da Silva and Rousseff, and as PT mayor of São Paulo. Affiliation to the party that has governed Brazil for roughly 15 years can in some sense be seen in a positive way: many in Brazil, for example, have strong affection for former president Lula da Silva. With da Silva barred from participating in the elections, being closely associated to him could theoretically make Haddad an attractive choice for many voters. On the other hand, the PT has been heavily involved in the recent corruption scandals. On top of this, the

¹⁴⁸ A. Sadi, 'Em meio a divergências, Guedes vai insistir na 'urgência' da reforma da Previdência' (version October 11th 2018) <https://g1.globo.com/politica/blog/andrea-sadi/post/2018/10/11/em-meio-a-divergencias-guedes-vai-insistir-na-urgencia-da-reforma-da-previdencia.ghtml> (October 11th 2018).

¹⁴⁹ Sadi, 'Em meio a divergências' (version October 11th 2018) <https://g1.globo.com/politica/blog/andrea-sadi/post/2018/10/11/em-meio-a-divergencias-guedes-vai-insistir-na-urgencia-da-reforma-da-previdencia.ghtml> (October 11th 2018).

¹⁵⁰ Brito and Boadle, 'Brazil's Bolsonaro opposes pension vote' (version October 10th 2018), <https://www.reuters.com/article/us-brazil-election/brazils-bolsonaro-opposes-pension-vote-this-year-if-elected-aide-idUSKCN1MK0XQ> (October 10th 2018).

¹⁵¹ O Tempo, 'Bolsonaro promete tratar reforma da Previdência' (version September 9th 2018), <https://www.otempo.com.br/hotsites/elei%C3%A7%C3%B5es-2018/bolsonaro-promete-tratar-reforma-da-previd%C3%Aancia-com-calma-e-devagar-1.2052914> (October 6th 2018).

economic policies of the PT are often blamed for recent economic instability. Haddad can be confronted with this blame which his largest opponent Bolsonaro can easily use against him. This means Haddad walks a fine line. Recently he has met with large investors in an attempt to subdue fears of a potential return to power of the PT.¹⁵²

Privatization

The *programa de governo* of Fernando Haddad and the PT is named *O povo feliz de novo*, or ‘the people happy again’, and consists of a total of 61 pages. The words *privatizar*, *privatizações* and *desprivatizando* are mentioned a total of ten times. This program is constructed in a significantly different manner than the program of Bolsonaro. For example, there is no section titled *Economia* or *Infraestrutura*. A focus on matters of ideology can be distinguished in the PT program with issues such as national sovereignty, reform of the state and the justice system, women’s rights, racial equality, social rights, innovation concerning ecology, sustainability and regional as well as global integration especially focused on relations with Africa and the BRICS countries enjoying significant attention.¹⁵³ Privatization is first mentioned in the introduction, where it is stated that privatizations and the selling of public assets will be cancelled.¹⁵⁴ In addition to this, the investment capacity of state-owned companies such as Petrobras will be increased, immediately illustrating that Haddad and the PT are against privatization of strategic companies, a position acing toward a statist oriented view. Opposition to the privatization of strategic companies becomes increasingly clear as the program continues. In the section of the program titled *Promover um novo projeto nacional de desenvolvimento*, or ‘Promoting a new national development project’, the privatization of strategic companies is directly targeted when the program calls for an immediate stop to the privatization of companies deemed of importance for national development as well as to stop the sale of land, water and natural resources to foreigners.¹⁵⁵

The program continues to use the word privatization several more times, each time in a negative fashion. Concerning the energy sector and the previously mentioned Eletrobras, for example, the program states that a PT government would continue to invest to improve the energy sector. Eletrobras will play a key role in this plan; privatization will be interrupted and public control will be resumed.¹⁵⁶ Through this statement the PT and Haddad take an exact opposite position on

¹⁵² T. Bautzer, M. Ayres and C. Plumb, ‘Why Brazil’s business elites are warming to a far-right flamethrower for president’ (version October 1st 2018), <https://www.reuters.com/article/us-brazil-elections-markets-analysis/why-brazils-business-elites-are-warming-to-a-far-right-flamethrower-for-president-idUSKCN1MB1H2> (October 7th 2018).

¹⁵³ *Governing Program Fernando Haddad*, ‘Coligação o Povo Feliz De Novo: Haddad é Lula’, 1-61, there 2-3.

¹⁵⁴ *Governing Program Fernando Haddad*, ‘Coligação o Povo Feliz De Novo’, 5.

¹⁵⁵ *Ibidem*, 37.

¹⁵⁶ *Ibidem*, 49.

this subject to the current Temer administration. This sentiment can be found throughout the entire program and especially so what privatizations are concerned. The negative attitude toward privatization is often intertwined with the negative sentiment for the Temer administration. The program can often be seen to directly attack the Temer administration. For example, the program states that ‘unlike Temer and the PSDB’, a PT administration would not privatize the *Satélite Geostacionário de Defesa e Comunicações Estratégicas* or the Geostationary Defense and Strategic Communications Satellite (SGDC), a satellite which is used to provide broadband internet to the Armed forces of Brazil as well as the government.

Another example is found in a section of the program that concerns the health sector. According to the program, the ‘coup government’ of Temer holds a strongly pro-privatization point of view, a point of view from which they actively oppose Brazil’s publicly funded health system, the *Sistema Único de Saúde* (SUS). This pro-privatization attitude is condemned by the PT program, which argues that specific health institutions related to the Ministry of Health and part of the SUS such as ANVISA are essential to ‘reduce cost of workers, families and employers with medicines, plans, doctor and hospitals.’¹⁵⁷ From these examples, Haddad and the PT program can be found to be strongly against the notion of privatization concerning companies of strategic importance to the nation, issues relating to public health care or the notion of privatization in general. Not only is there evidence of an anti-privatization attitude, there are arguments in favor of increasing the investment capacity of state-controlled enterprises in an effort to strengthen the economy. These findings demonstrate the fact that continuation of the neoliberal policies of the current administration relating to privatization are unlikely to continue under a potential Haddad administration.

Trade liberalization

Interestingly enough, the Haddad and PT program discuss issues relating to trade very limitedly. The words *comércio*, *commercial* and words directly related to these can be found a total number of nine times. However, only two of these are directly related to international trade, while the other mentions of these words are mainly related to drug policy and local businesses. The first mention of trade in the international context is found in the section of the program regarding the international position and foreign policy of Brazil. Here, again, the program makes a statement through an attack on the current Temer administration: ‘The coup government adopted a passive and submissive foreign policy (...) this foreign policy, which bring the risk of entering into ‘new generation’ commercial agreements with developed nations, creates obstacles to those national and progressive

¹⁵⁷ *Governing Program Fernando Haddad*, ‘Coligação o Povo Feliz De Novo’, 28.

governments which practice policies of autonomous development.¹⁵⁸ Where traditional trade agreements mainly targeted the reduction of custom duties and import barriers, new generation trade agreements extend to a much larger variety of ideas, such as dispute resolution mechanisms, sustainable development, the environment and improved market access in the service sector.¹⁵⁹ Haddad and the PT seem to consider these trade agreements to carry potential risks for the development of the national economy. In an interview between Haddad and *Exame*, a Brazilian news website which conducted interviews with nearly all candidates for the presidential elections, Haddad explains his view on the attempted free trade agreement between Mercosur and the European Union.

Although in this interview Haddad argues to be in support of trade agreements that will bring increased expanded mutual investments and trade, he showcases to be more critical than the current Temer administration as well as a potential Bolsonaro administration: the condition for increased trade agreements is that they will be symmetrical as well as beneficial to the national productive sectors.¹⁶⁰ Entirely free trade seems a point of concern. Certain clauses in a free trade agreement regarding foreign investment will not be supported by a potential Haddad administration. The reason for this given by Haddad is that these clauses could prevent the Brazilian government from developing specific (national) policies in the fields of development, technology and industrialization.¹⁶¹ Concerning the potential agreement between Mercosur and the European Union, Haddad continues to argue that no agreement would be preferred over a bad agreement which would put at risk Brazil's capability to increase its development and which would hurt the nation's sovereignty.¹⁶² These answers regarding questions about a free trade agreement between Mercosur and the European Union showcase a more careful, but not entirely negative attitude towards trade liberalization. In addition to the answers provided by Haddad on this subject, the interview continues to go into the direction of multilateralism and international cooperation. The argument here is strongly in favor of increased Latin American integration, as well as of increased economic and political cooperation in the Southern hemisphere and with the BRICS.¹⁶³ Haddad strongly argues against trade wars and increased worldwide protectionism. Despite this apparently liberal

¹⁵⁸ Ibidem, 10-11.

¹⁵⁹ Kommerskollegium National Board of Trade Sweden, 'Analysis of the free trade agreement between the EU, its member states and Canada (CETA)', 4.

¹⁶⁰ G. Ruic, 'Eleições 2018: o que pensa Fernando Haddad sobre política externa' (version September 24th 2018), <https://exame.abril.com.br/mundo/eleicoes-2018-o-que-pensa-fernando-haddad-sobre-politica-externa/> (October 6th 2018).

¹⁶¹ Ruic, 'Eleições 2018' (version September 24th 2018), <https://exame.abril.com.br/mundo/eleicoes-2018-o-que-pensa-fernando-haddad-sobre-politica-externa/> (October 6th 2018).

¹⁶² Ibidem.

¹⁶³ Ibidem.

standpoint, there is no mention of a reduction or increase of import tariffs in Brazil. This also applies to the *programa de governo*; an opinion on either a reduction or increase of import tariffs is not mentioned. On the subject of trade liberalization, Haddad and the PT program prove to not be strongly against liberalization of trade. Haddad argues in favor of increased trade agreements, but aspires to close trade agreements in which the national government remains in a position where it can strongly influence the national economy. While Haddad does not come off as strongly anti-increased trade, there remains a more defensive approach to trade liberalization than in the current Temer, or potential future Bolsonaro administration.

Austerity

Considering the slogan ‘the people happy again’ of the PT program and their previously demonstrated hostile attitude toward the current Temer administration, it is in the line of expectation for the PT and Haddad to be against the pension reforms proposed by this administration. The word *previdência* or words directly stemming from this are mentioned a total of seven times in the *programa de governo* of Haddad and the PT. The first and most mentions are found under the subtitle *promover o equilíbrio e justice previdenciária* or ‘promoting social justice and balance.’ This part of the program mainly focuses on the problems with the aging population in Brazil, an issue which ‘requires attention and planning from the federal government in relation to public services aimed at the well-being and demands for health, pensions, care and attention to the elderly.’¹⁶⁴ According to the *programa de governo*, the pension system will not be changed according to the wishes of the current administration: ‘*Rejeitamos os postulados das reformas neoliberais da Previdência Social*’.¹⁶⁵ The program in this instance specifically mentions the word neoliberal in a clearly negative manner, and continues to state that the reform is actively opposed to the rights of the working class and the poorest people.

Arguing against the reforms proposed by the Temer administration, specifically named to be neoliberal, does not necessarily mean opposition against any sort of reform of the pension system. This is demonstrated in the statement above where the program argues for the need of attention and planning from the federal government in, among others, the field of pensions. This sentiment is strengthened in a meeting held in September between Haddad and representatives of the fishing industry in Itajaí, during which the *Reforma da Previdência* was discussed. Haddad argued for reforms, clarifying he was willing to commence with making amendments to state pension schemes

¹⁶⁴ *Governing Program Fernando Haddad, ‘Coligação o Povo Feliz De Novo’, 16.*

¹⁶⁵ *Ibidem.*

in order for governors to be able to pay the wages of state employees.¹⁶⁶ He also argued that a change in the system is necessary, but that the question is about the creation of a fair and unprivileged system. In addition to this, Haddad argued for an opening of the discussion on the current state of the pension system, which he acknowledges contributes strongly to the national fiscal problem.¹⁶⁷ In this initial discussion on the state level issues such as the minimum age to retire have to be discussed: a debate on the general pension system can follow at a later time.

Lastly, the *programa de governo* of Haddad argues for the implementation of the *Plano Nacional para o Envelhecimento Ativo e Saudável* or the ‘National Plan for Active and Healthy Aging’. This is mentioned in a segment of the program related to pensions, however provides no further explanation as to what this National Plan would encompass. Through this analysis of the *programa de governo* of Haddad, it has been demonstrated that Haddad is against the neoliberal reforms of the pension system as proposed by the current Temer administration. However, the program does demonstrate the fact that Haddad recognizes changes are necessary for the pension system of Brazil. This is a discussion he has argued will be held after state pension systems have been addressed.

4.2 Neoliberal ideology in the political class or crisis management?

The analysis of the economic intentions of both candidates demonstrates a rather classic divide along the lines of the political spectrum. Bolsonaro overall agrees with the attempted neoliberal reforms by the current Temer administration, while Haddad mainly opposes these. Where Bolsonaro and his program have shown he actively supports privatization, is positive toward increased trade liberalization by even mentioning a reduction of import tariffs and has clarified that, although it has not become entirely clear in which form, neoliberal reform of the pension system will take place. Meanwhile, Haddad argues especially strongly against the notion of privatization, overall is positive toward international trade but fails to mention reductions of import tariffs and argued against the neoliberal pension reforms of the Temer administration. Taking into consideration the results of the first round of the presidential elections, the possibility of Bolsonaro emerging victorious in the second round are significant. This would indicate a return to neoliberal economic policy in Brazil is likely.

There are two likely explanations for this return, namely neoliberal ideology ruling among the political class and ‘crisis management.’ Neoliberal ideology ruling among the political class would

¹⁶⁶ Partido dos Trabalhadores, ‘Haddad firma compromisso de fomentar setor da pesca em Itajaí-SC’ (version September 19th 2018), <https://www.pt.org.br/haddad-firma-compromisso-de-fomentar-setor-da-pesca-em-itajai-sc/> (October 8th 2018).

¹⁶⁷ Partido dos Trabalhadores, ‘Haddad firma compromisso’ (version September 19th 2018), <https://www.pt.org.br/haddad-firma-compromisso-de-fomentar-setor-da-pesca-em-itajai-sc/> (October 8th 2018).

demonstrate a strong inclination among Brazilian politicians to go forward with the neoliberal reforms attempted by the Temer administration. Although, as has been demonstrated in the analysis of the two remaining candidates for the presidency, Bolsonaro indeed seems to intend to move forward with neoliberal reforms, his opponent Haddad does not. In the past Haddad's PT, as argued by Lecio Morais and Alfredo Saad-Filho, made concessions under Lula in the run up to his first elections which 'implied that his government would follow Cardoso's neoliberal economics policies'.¹⁶⁸ The Lula administrations being described as neoliberal could argue for the existence of a neoliberal ideology influencing the political class: even those poised to 'bring change' to Brazil 'capitulated to neoliberalism'.¹⁶⁹ However, considering the result of the analysis made of the Haddad and PT *programa de governo*, neoliberalism as defined in this paper is not a strong force in the current PT. The first Lula administration was tied to a wide variety of allies whom demanded concessions in return for their lasting support: currently, Haddad and the PT are solely allied to two parties which are part of the *programa de governo* of Haddad: they therefore support his economic stance. Haddad and his alliance faring a non-neoliberal course demonstrates that there is not necessarily a rule of neoliberal ideology among the political class. This view is reinforced through Brazilian politics existing of three economic 'sides': pro-market, centrist and statist. Although the statist have lost some support, exemplified by a 4 seat loss in the Federal Senate, the existence of this 'camp' would oppose the idea that the entire Brazilian political class is ruled by neoliberal ideology.

Why, then, is neoliberalism back on the agenda in Brazil? The most likely answer to this question is that it is a form of crisis management. As described earlier in this paper, PT rule in Brazil appeared to bring significant economic successes in its early stages. The initial economic success, however, was overshadowed by unemployment numbers rising significantly in the later stages of their rule, the Lava Jato corruption scandal as well as by increasing crime and violence; the PT under Rousseff was largely blamed for these issues.¹⁷⁰ The Temer administration specifically focused on pushing through economic reforms that were aimed to improve the attractiveness of the Brazilian market for foreign investments.¹⁷¹ Although these reforms were largely unsuccessful, the analysis of Bolsonaro's *programa de governo* has demonstrated that he is in favor of continuing the push for

¹⁶⁸ L. Morais and A. Saad-Filho, 'Lula and the Continuity of Neoliberalism in Brazil: Strategic Choice, Economic Imperative or Political Schizophrenia?', *Historical Materialism* 13 (2005) 1, 3-32, there 10.

¹⁶⁹ Morais and Saad-Filho, 'Lula and the Continuity of Neoliberalism in Brazil', 10.

¹⁷⁰ H. Zainulbhai, 'Brazil's corruption scandal, economy drive Rousseff's ratings to record low' (version August 17th 2015), <http://www.pewresearch.org/fact-tank/2015/08/17/brazils-corruption-scandal-economy-drive-rousseffs-ratings-to-record-low/> (October 10th 2018).

¹⁷¹ Soto, 'Exclusive: Brazil's Temer aims at gradual fiscal overhaul' (version April 14th 2016), <https://www.reuters.com/article/us-brazil-politics-policy/exclusive-brazils-temer-aims-at-gradual-fiscal-overhaul-market-friendly-policies-idUSKCN0XA2RY> (October 11th 2018).

many of these reforms. According to a report by Reuters, Brazilian markets ‘soared’ after the dominant victory of Bolsonaro in the first round of elections, mainly due to the hopes of investors that Bolsonaro will regain control over public spending and thereby tackle the problems with the fiscal deficit, as well as the hope that Bolsonaro would privatize key companies.¹⁷² Eletrobras, extensively discussed in this paper, soared by 12 percent while the Bovespa stock index rose by 3.6 percent. The positive response by the market on Bolsonaro’s victory in the first round clearly demonstrates the success of his ‘turn’ from statist economic views in the past to pro-market and even neoliberal economic views in his campaign. This turn to neoliberal economic policy could well have been adopted by Bolsonaro in order to attempt to strengthen the Brazilian economy.

Additionally, Bolsonaro’s turn to a neoliberal economic agenda could be explained by analyzing previous economic successes under neoliberal administrations or measures. Under the Cardoso administration, typically described as neoliberal,¹⁷³ some significant successes were achieved. The main success was the control gained over the rampant inflation of the early 1990s through the Real Plan. As stated above, the Lula administration was ‘forced’ into agreeing to certain neoliberal measures. Therefore his administration is often described as a continuation of the Cardoso administration. Agreeing to this definition of the Lula administration as neoliberal would mean the successes of the early PT administration could also be argued to be a positive example of neoliberal economic policy in Brazil: between 2005 and 2011, 40 million people were lifted into the middle class and unemployment numbers dropped significantly from over 12 percent in 2003 to six percent in 2012.¹⁷⁴ At the same time, Brazil enjoyed GDP growth of 7.6 percent in 2010, resulting in 62 percent of Brazilians describing the economic situation in their country as ‘good’.¹⁷⁵ Putting these successes under the banner of neoliberal economic policy would mean neoliberalism in Brazil has a solid track record: turning to this form of economic policy could therefore be seen as a strategic move.

¹⁷² B. Federowski, P. Laier, ‘Brazil markets soar on strong first-round vote for Bolsonaro’ (version October 8th 2018), <https://www.reuters.com/article/us-brazil-markets-etf/brazil-markets-soar-on-strong-first-round-vote-for-bolsonaro-idUSKCN1M11S9> (October 11th 2018).

¹⁷³ B. Sallum JR, ‘O Brasil sob Cardoso: neoliberalismo e desenvolvimentismo’, *Tempo Social* 11 (1999) 2, 23-47, there 23.

¹⁷⁴ L.M. Schineller, ‘Brazil’s economic success is based on more than the demand for natural resources’ (version Summer 2012), <http://www.americasquarterly.org/node/3811> (October 10th 2018).

¹⁷⁵ Zainulbhai, ‘Brazil’s corruption scandal’ (version August 17th 2015), <http://www.pewresearch.org/fact-tank/2015/08/17/brazils-corruption-scandal-economy-drive-rousseffs-ratings-to-record-low/> (October 10th 2018).

5 . Conclusion

The introduction of this paper mentioned the end of the statist Keynesian consensus and the rise of neoliberalism in both the ‘countries of the center’ and those in the periphery. It was explained that although neoliberalism has a relatively negative track record in Brazil, it has returned (albeit it without popular support) to the country under the current Temer administration. Positive views of the Temer reforms among the candidates as well as positive views of neoliberal economic policies in general would establish a return to neoliberal policy in Brazil. Based on the research performed in this paper, it can be concluded that neoliberalism appears likely to return to Brazil in force, this time with solid popular support. The landslide victory in the first round of the presidential elections for Bolsonaro and the current anger at the PT provide near certainty that the presidential election will culminate in a victory for Bolsonaro, a vision that is strengthened by the fact that Bolsonaro is currently at 50 percent of the vote versus 35 percent for Haddad.¹⁷⁶

The economic policy of Bolsonaro can be defined as neoliberal according to our definition, as has been exemplified at the hand of his economic program. In the field of privatization, Bolsonaro has been found to be a strong proponent of the privatization of all but a few strategic state-owned enterprises. In the field of trade liberalization, he has argued that countries more open to trade are more successful and has even hinted at a reduction of import tariffs. Although it remains unclear if a potential Bolsonaro administration will push for the Temer pension reforms, it has become clear that this administration will be in favor of a neoliberal approach to pension reforms, perhaps in the form of a system of individual capitalization. Meanwhile, a potential victory for Haddad, however unlikely, would mean a move away from the turn to neoliberalism we have seen in Brazil since the Temer administration took power. Haddad has argued against privatization and in favor of increasing the investment capacity of state-controlled enterprises in order to strengthen the economy. Although he has not argued against increasing international trade, there has been no mention of a reduction of import tariffs. Additionally, Haddad and the PT campaign remained rather vague about pension reforms, but argued strongly against the neoliberal reforms of the current Temer administration. A definitive answer to whether or not neoliberalism will return to Brazil can be given after the second round of elections.

The paper also shortly looked at two possible reasons for the potential return of neoliberal economic policy. Although more research on this subject needs to be performed to provide a solid explanation, the most likely reason for the return can be attributed to crisis management. The PT

¹⁷⁶ Bloomberg, ‘Brazil Election Coverage’ (version October 14th 2018)
<https://www.bloomberg.com/graphics/2018-brazil-election/> (October 14th 2018).

administrations of the past are immensely unpopular at this point in time. In addition to crime, violence and corruption, the economic situation in Brazil has remained relatively unstable. Considering the fact that the PT often receives most of the blame for this, a sharp turn away from statist policies to neoliberal pro-market policies appear to be among the main reasons for the success of the Bolsonaro campaign so far. Turning to a pro-market economic program has already, the day after the first round, showcased positive effect on the markets in Brazil. Although some contradicting statements remain in the Bolsonaro camp, and the specific form of pension reform remains unclear, neoliberal economic policy appears to have made a return to politics in Brazil.

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