

# A New Decade, New Trajectory for the Brazilian Economy?

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# What if the economy matters in all the wrong ways?

## Presidential Success and the World Economy

Daniela Campello, Getúlio Vargas Foundation  
Cesar Zucco Jr., Getúlio Vargas Foundation

Economic voting is a widely accepted regularity in the political science literature, yet most work on the subject either assumes that economic performance is a direct result of policy making or, more recently, argues that voters are able to identify when this is not the case. Our article challenges these claims by showing that, in a large subset of Latin American countries, both presidential popularity and prospects of reelection strongly depend on factors unambiguously exogenous to presidents' policy choices. These findings advance the literature on assignment of responsibility for economic performance and pose important implications for democratic accountability.

Cesar Andrés Pérez governed oil-rich Venezuela for the first time between 1974 and 1979, during an unprecedented boom. A decade after leaving the presidency with high approval ratings, Pérez won another term on the promise of reversing the "proud old days." His second government, however, coincided with the lowest oil prices in modern history, and the president could not live up to his promise. After mass protests and two coup attempts, Pérez was forced out of office before finishing his term. Even though the president could not set oil prices, Venezuelans neither adjusted their expectations in the face of a rough economic scenario in the early 1980s nor did they discount the impressive performance delivered in the 1970s.

Dependence on the prices of commodities—such as oil—is not the only characteristic that exposes Latin American economies to international conditions beyond governments' control. When the US Federal Reserve sharply raised interest rates to contain inflation in the late 1970s, previously abundant capital inflows to the region dried up, governments faced extreme distress, and countries entered a decade-long crisis. Most military regimes still in power collapsed, presidents governing through the hard times were extremely unpopular and had a dismal record electing their successors. In contrast, when international interest rates reached their lowest

point in recent history in the early 1990s, capital flowed once again into Latin America in search of higher returns. The accumulation of massive international reserves allowed governments throughout the region to adopt exchange-rate based stabilization plans, putting an end to long-lasting inflationary crises.<sup>1</sup> Popular support for incumbent was such that incumbent presidents spearheaded constitutional changes to allow for immediate reelection; indeed, many were reelected. Voters neither discounted the fact that international conditions beyond the presidents' control were very favorable, nor that inflation was brought under control in most of the region at roughly the same point in time.

To some extent, these narratives corroborate the standard accounts of economic voting, which at least since Kramer (1971), have established a positive correlation between economic outcomes and incumbent support. What they also suggest, however, is that voters may not always recognize situations in which economic performance is largely determined by factors beyond government control. In this article, we focus on this latter proposition and examine whether and to what extent the political success of Latin American presidents is influenced by the state of the world economy. This is a straightforward empirical question that has far-reaching theoretical implications for our understanding of how voters

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Data and supporting materials necessary to reproduce the numerical results in the article are available in the IOP Database (<https://doi.org/10.2139/ssrn.3804049>). An online appendix with supplementary material is available at <http://dx.doi.org/10.1086/694049>.

1. Vargas (1995, 36), for instance, argues that both the reversal of Latin American governments toward neoliberal policies and the improvement in income conditions that occurred in the early 1990s were the result of external factors, among them: "low interest rates in the advanced countries, which encouraged investment to look again at opportunities in the Third World."

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## Stop Suffering! Economic Downturns and Pentecostal Upsurge\*

Francisco Costa<sup>1</sup> Angelo Marcantonio<sup>1</sup> Rudi Rocha<sup>2</sup>

November 1, 2019

### Abstract

This paper estimates the effects of economic downturns on the expansion of Pentecostal Evangelicalism in Brazil. We find that regions more exposed to economic distress experienced a persistent rise both in Pentecostal affiliation and in the vote share of candidates connected to Pentecostal churches in national legislative elections. Once elected, these politicians carried out an agenda with greater emphasis on issues that are sensitive to fundamental religious principles. These results uncover a direct link between economic distress and a sustained entrenchment of more fundamentalist religious groups in a contemporary democracy.

**Key Words:** economic distress, religious conversion, Pentecostalism, voting behavior.

**JEL Codes:** Z12, D72, O15.

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## Insecure Democracy: Risk and Political Participation in Brazil

Sarah M. Brooks The Ohio State University

In recent decades, developing countries around the world have undergone dual transitions to democracy and more open markets. Such reforms often have coincided with the reemergence of state-sponsored social insurance, even as unemployment, crime, and informality have risen. This article examines how insecurity associated with lack of adequate protection against the risks of income loss and violent crime affects patterns of political engagement in Brazil. Although it is often assumed that insecurity is mobilizing, analysis of an original household survey reveals that those lacking the means to ensure against livelihood risks are systematically more likely to forgo from active political participation. Insecurity and poverty, moreover, exert divergent effects on political participation, whereas it is not the poorest, but rather the most insecure citizens who are most likely to forgo from active citizenship. Emerging democracies thus may be more deeply riven by changes of insecurity than by income when it comes to the question of whose voice is heard in democratic politics.

Citizen engagement in public life has long been considered a fundamental expression of democratic citizenship and a keystone of political accountability.<sup>1</sup> Since Lipset (1959), scholars have argued that participation in moderate and institutionally altered forms of democratic governance such as civil society organizations is overwhelmingly the province of the middle class, whose education, income, and preferences conduce toward moderate and effective engagement in political life (e.g., Brady, Verba, and Schönmann 1995; Diamond 1992). This ought to be a promising sign for emerging democracies in Latin America, whose middle class grew by 30% in the first decade of the twenty-first century (Iverson et al. 2013). More than 40% of that growth occurred in Brazil alone, where the ascent of 31 million people out of poverty brought the middle class to 52% of the population by 2012 (SIECUM 2013). Yet, the coincidence of democratization, rising incomes, and declining inequality have not, paradoxically, translated into greater political participation in everyday forms of democratic citizenship. Despite an early surge of mobilization that attended democratic transitions in the 1980s, Latin American countries have experienced

a general decline in political engagement in the posttransition era (Alman and Pérez-Liñán 2002; Dominguez 1992; Kleiner 2007; Kurtz 2004; Levine and Molina 2011).

This trend has been especially notable in Brazil, where rates of political mobilization were among the lowest in Latin America (Moseley and Layton 2013). Even as the streets of Brazil's largest cities convulsed with protesters in June 2013, surveys revealed that the overwhelming majority—71%—of the protesters in São Paulo were participating in such an action for the first time (Datafolha 6/17/13). And for all the vigor of the protests, the newly awakened civil society in Latin America's "sleeping giant" returned soon to its somnolent state, with many of the sources of grievance still in place.

Existing research offers few explanations for the puzzle of generalized citizen disengagement from democratic politics in emerging democracies. For along with the growth of the middle class, political democratization and decentralization have opened up new arenas through which citizens can hold politicians accountable and shape public spending priorities—especially in their own communities—through programs such as

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977

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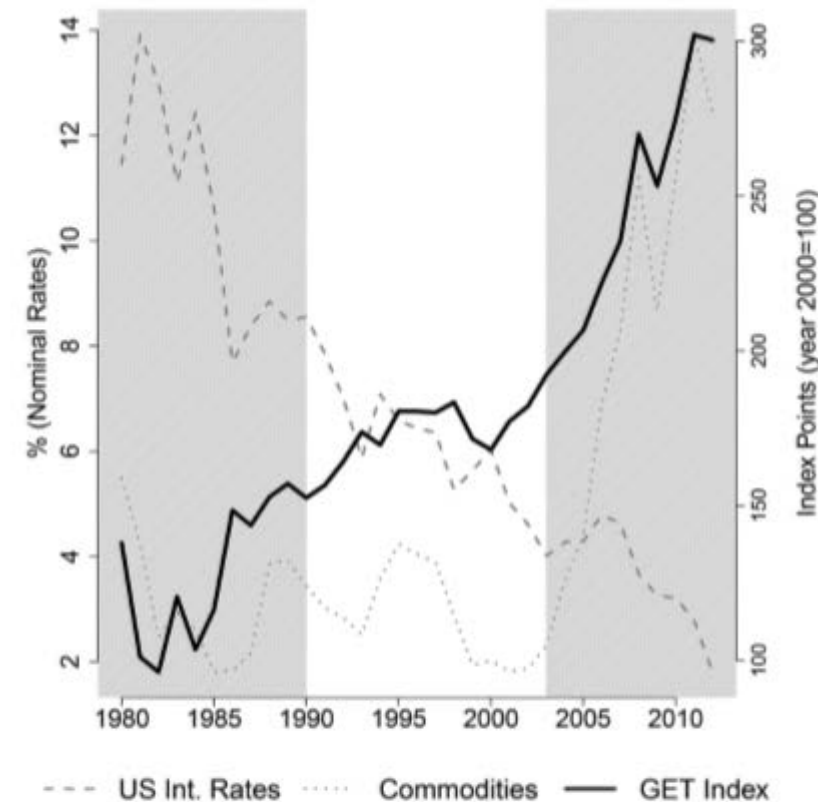


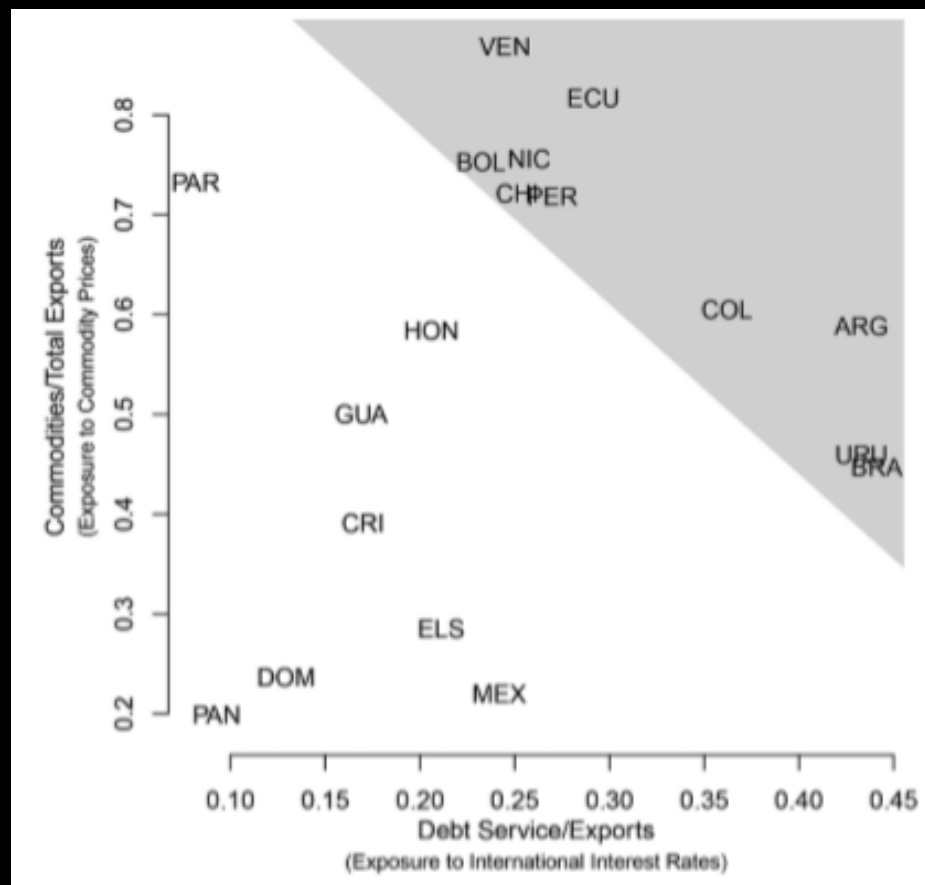
Figure 1. Good economic times index (GET) and its constituent components. The figure shows the evolution of GET and its two constituent components (US interest rates expressed in percentages and commodity price index expressed in index points) over three periods of interest that correspond roughly to the 1980s, 1990s, and 2000s, and which are discussed in more detail in the next section.

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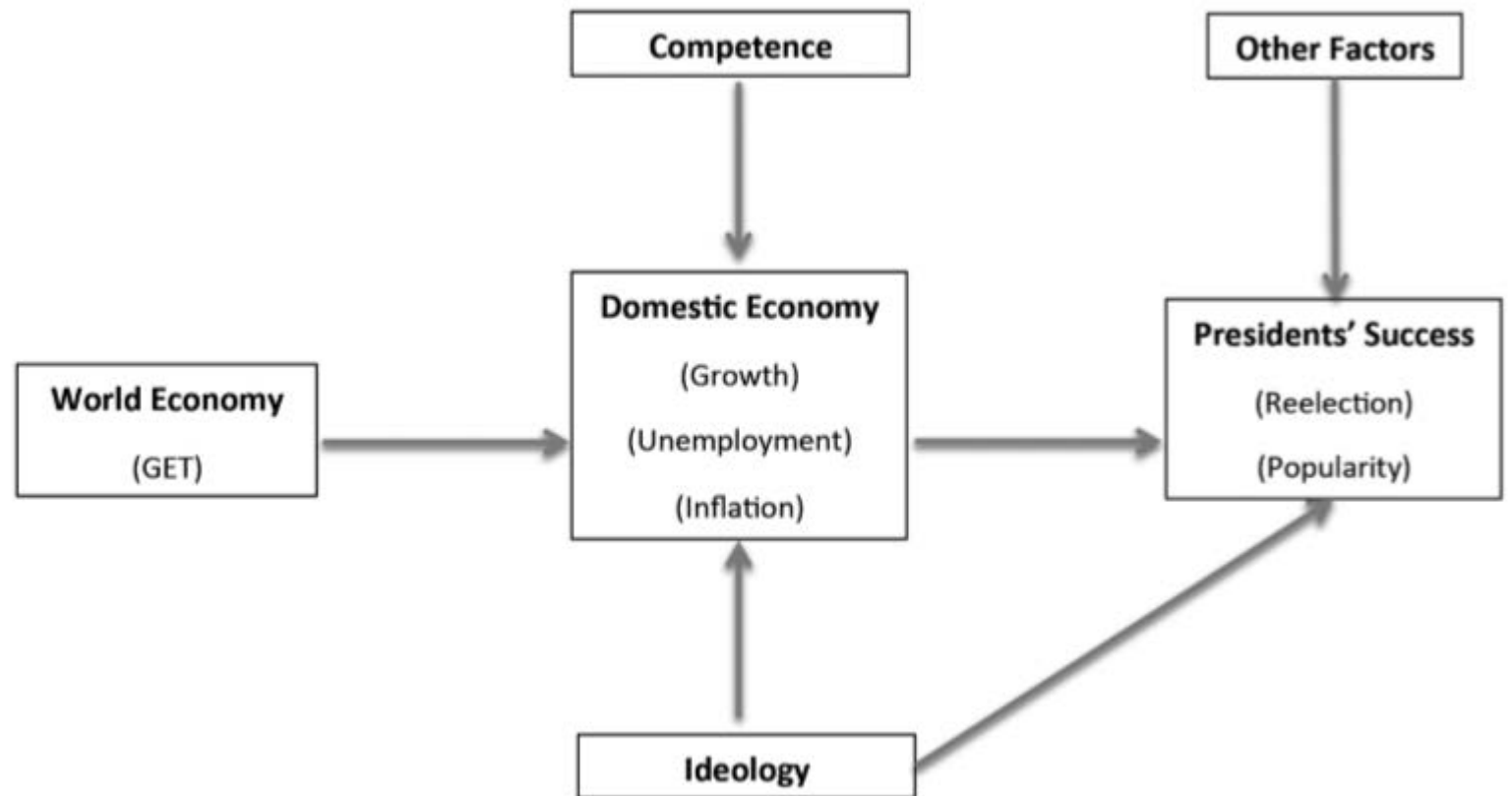


Figure 3. Effects of international economy on presidents' electoral success



# Pare de Sofrer!

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- Vícios
- Inveja
- Nervosismo
- Dívida
- Insônia
- Depressão
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- Audição de vozes



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Figure A1: Map of Regional Tariff Change 1990-1995

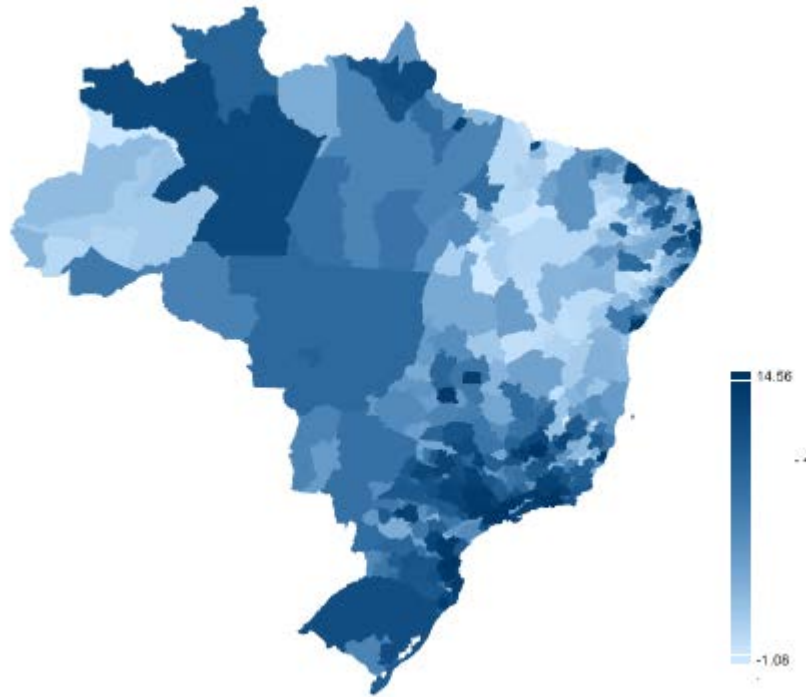


Table 9: Results – Reduced Form – Controlling for Covariates

	Dep. Var.: Log Pentecostals per capita				
	(1)	(2)	(3)	(4)	(5)
<b>Panel A. <math>\Delta</math> 1991-2000</b>					
$\Delta$ Tariff <sub>j</sub>	-1.603*** (.6009)	-1.004* (.5731)	-1.408** (.5815)	-1.541*** (.5944)	-1.720*** (.6485)
$\Delta$ Employment		-1.278** (.524)			
$\Delta$ Gini			.5469 (.5764)		
$\Delta$ Crime Rate				-.0376** (.0189)	
$\Delta$ Gov. Spending					.0156 (.032)
<b>Panel B. <math>\Delta</math> 1991-2010</b>					
$\Delta$ Tariff <sub>j</sub>	-1.207* (.6655)	-1.109 (.711)	-.9914 (.7364)	-1.148* (.6665)	-1.232* (.6869)
$\Delta$ Employment		-1.1494 (.351)			
$\Delta$ Gini			.294 (.4233)		
$\Delta$ Crime Rate				-.0347 (.0211)	
$\Delta$ Gov. Spending					.0046 (.0471)



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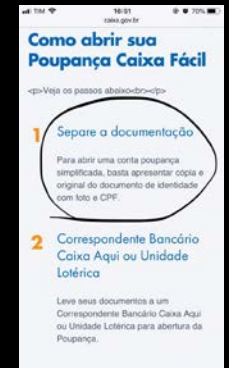
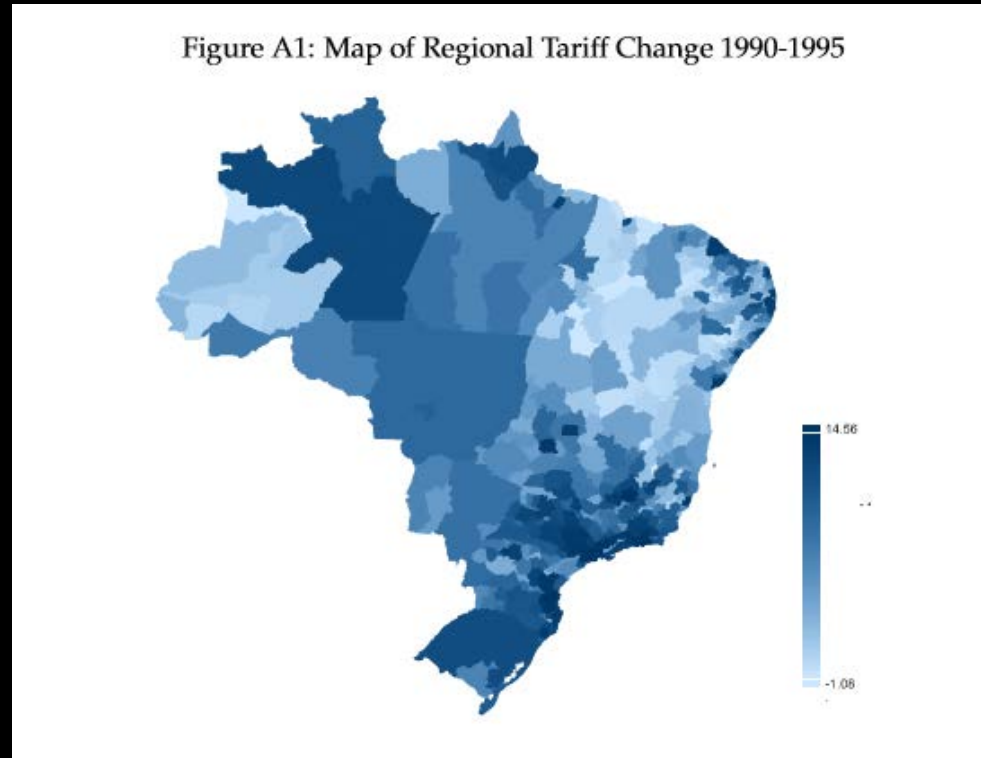
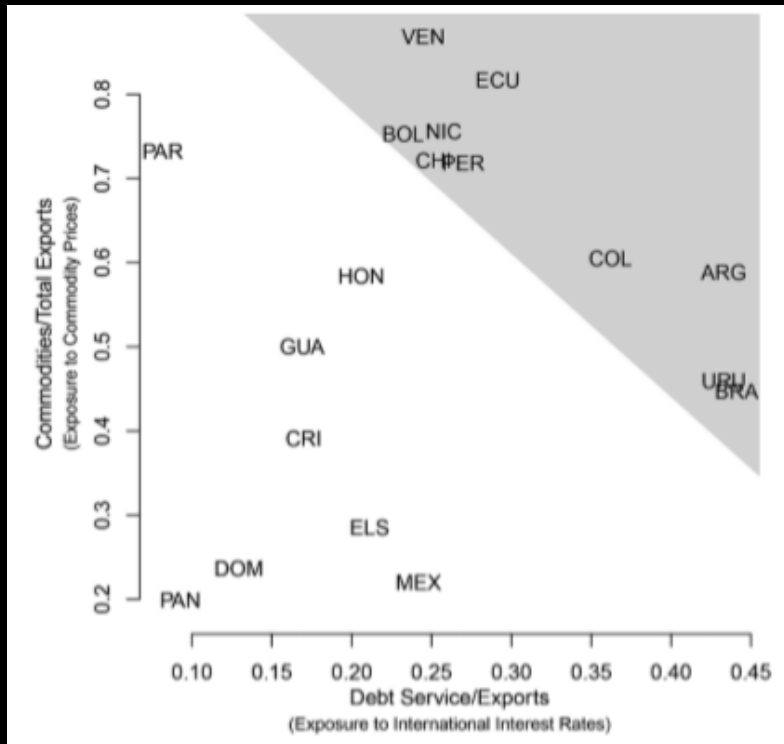
**TABLE 1 Risk and Participation in Brazil**

Coeff./ <i>(s.e)</i>	(1) Community or Neighborhood	(2) Municipal	(3) Peaceful Protest	(4) Aggressive Protest	(5) Petition
<b><i>Risk Protection</i></b>					
Secure	0.278* (0.144)	0.337* (0.200)	0.470* (0.156)	0.690* (0.250)	0.070 (0.147)
<b><i>Risk Exposure</i></b>					
Crime risk	-0.075 (0.154)	-0.066 (0.199)	-0.461* (0.172)	0.152 (0.284)	-0.089 (0.151)
Re-Employable	-0.105 (0.134)	0.139 (0.154)	0.051 (0.127)	0.407* (0.205)	0.030 (0.123)
Economic security	-0.040 (0.154)	-0.001 (0.191)	-0.154 (0.134)	0.092 (0.226)	-0.066 (0.142)
Past crime	0.345 (0.239)	0.339 (0.329)	0.494* (0.279)	1.589* (0.451)	0.376 (0.244)
<b><i>Controls</i></b>					
Income	-0.700* (0.290)	-0.634* (0.336)	0.044 (0.339)	-0.028 (0.689)	0.075 (0.277)
Income <sup>2</sup>	0.089* (0.042)	0.074 (0.049)	-0.011 (0.052)	-0.002 (0.116)	0.018 (0.041)

# What if the economy matters in all the wrong ways?

- Exaggerated presidential accountability.
- Religious conversion.
- Reduced political participation.

# What's a policy maker to do?



# Questions?