



Written by [Bob Adelman](#) on March 8, 2017

Brazil Continues to Stagger as Economy Slows, Corruption Probe Expands

Brazil's economy, once Latin America's largest and most prosperous, [shrank again last year](#) by 3.6 percent following a similar shrinkage in 2015 of 3.8 percent. This marks the country's worst recessionary period since records started being kept. The best possible scenario for 2017 is an expansion of less than one percent.

The New American has been following the rolling and accelerating disaster since the onset of Operation Car Wash, the investigation into political corruption at the government's highest levels, which began nearly three years ago. At the time the economy had fallen from a gain of more than 10 percent in 2010, placing Brazil at the top of the BRIC nations (Russia, India, China, South Africa, Brazil) which were touted as contenders to outproduce the Western economies by 2025. No one mentions BRIC any longer.

Instead it's all about the failing economy and the Operation Car Wash corruption investigation. Consumers have cut back spending and investors have pulled back. More than 1,200 small businesses in Rio de Janeiro alone have closed owing to government regulations, rising costs, and slowing sales. Unemployment jumped into double digits while inflation was decimating the *real*, the country's currency. The government, faced with declining commodity prices, borrowed until rating agencies turned the country's debt to junk status. Major companies such as Grupo OAS and Usiminas were forced into bankruptcy.

And that's just the economy.

Operation Car Wash was named for the currency exchange and money transfer service inside a carwash where vast sums were being laundered by politicians raking in payoffs for granting contracts to Petrobras, the state-owned oil company. Petrobras had discovered huge swaths of oil reserves offshore and planned a massive multi-billion investment to exploit them. The corruptocrats infesting the state government exploited the opportunity. According to the *Wall Street Journal*, Brazilian judges have convicted more than 500 politicians and mayors all across the country for "misconduct" in office related to the investigation. That compares to just 25 total convictions in 2000.

As Gustavo Justino de Oliveira, professor of law at the University of Sao Paulo, put it: "The Car Wash Operation has laid everything in Brazil bare, making it clearer than ever that corruption here is both chronic and endemic."





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The New American reported on part of that corruption last May when it quoted the promise Michel Temer, the country's new interim president, made as he was replacing the previous president's Cabinet with fresh faces. Temer said:

Trust me. Trust the values of our people and our ability to recuperate the economy.... It is essential to rebuild the credibility of the country abroad to attract new investments and get the economy growing again.... It is urgent to restore peace and unite Brazil. We must form a government that will save the nation.... It's urgent to seek the unity of Brazil. We urgently need a government of national salvation.

It turned out that that trust was misplaced, as Temer reached into his "old boy network" for those fresh faces. Half a dozen of them were under investigation in Operation Car Wash, including his new finance minister, who ran the country's central bank for nearly 10 years.

Operation Car Wash is, as the *Wall Street Journal* expressed it, "inspiring a frenzy of similar operations by local prosecutors ... who are uncovering a staggering degree of corruption" across the country.

One example out of hundreds will suffice. Darcy Vera, the mayor of Ribeirão Preto, a prosperous city of 666,000, was arrested and jailed in December for masterminding a \$65 million payoff scheme in City Hall. The *Journal* covered it:

In the weeks that followed her arrest, tales of dawn police raids, briefcases stuffed with cash and the mysterious suicide of a local businessman in his shower engulfed this Boston-sized city. The mayor's post went unfilled for nearly two weeks — everyone in Ms. Vera's line of succession *was either also in jail, under investigation, or refused to take the job.* (Emphasis added.)

The *Journal* went on:

After Ms. Vera's deputy refused to take over and resigned a few days after her arrest, the job fell to the head of the city council. [But] he had already been removed from office over bribery allegations and was later jailed.

Nine of Vera's 22 councilors were also under investigation, including everyone on the council's board of directors, except one. With no mayor to approve salary payments or the 2017 budget, city workers threatened a general strike. City Hall barely was able to pay its own electricity bill.

Operation Car Wash was set back following the crash of a private plane carrying Brazil's Supreme Court Justice Teori Zavascki on Thursday, January 19. He was deeply involved in the corruption investigation and had just heard testimony from executives at the engineering company Odebrecht apparently trying to plea-bargain their way out of stiffer sentences resulting from the investigation.

There's far more to Operation Car Wash than has been reported, with its tentacles reaching across the globe to at least a dozen other countries and governments. For the average Brazilian, he will continue to be faced with inflation, low wages if he can find work at all, and political corruption that extends across his country. Before the patient can heal, the cancer that infests the body politic must first be removed, and that process still has a long way to go.

Photo is of Brazil's National Congress

An Ivy League graduate and former investment advisor, Bob is a regular contributor to *The New American* magazine and blogs frequently at [LightFromTheRight.com](#), primarily on economics and politics. He can be reached at badelman@thenewamerican.com.





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