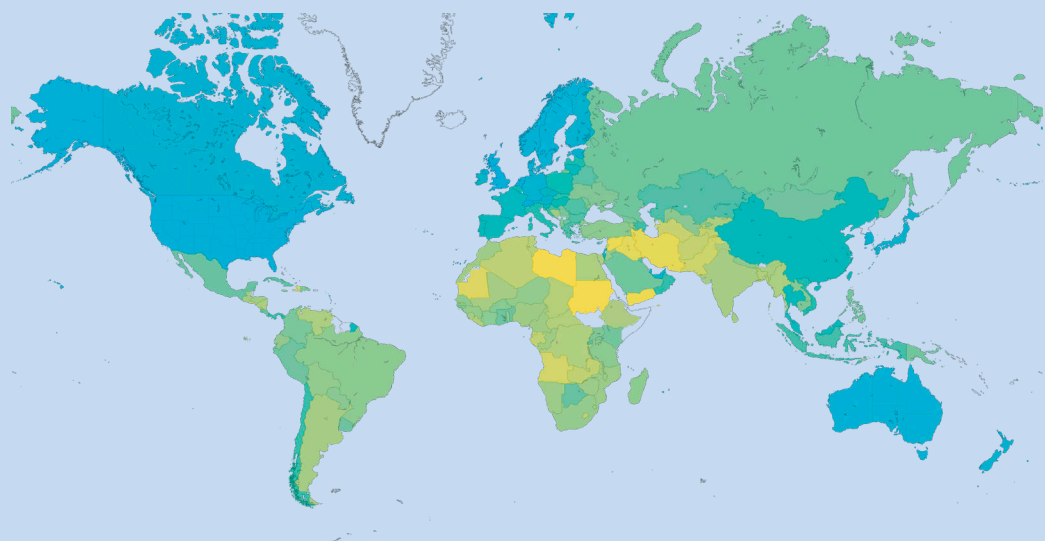


This PDF includes a contribution from the following book:

ELITE QUALITY REPORT 2021

Brazil: A rich country with an unfair political economy worsened by COVID-19

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Brazil: A rich country with an unfair political economy worsened by COVID-19

Despite having one of the world's ten largest GDPs, Brazil occupies the overall lowly position of # 86 in the EQx Ranking.

Concerning the EQx Index Area of Political Power (I, rank # 67) there are a number of areas of concern: the still low political participation of women (WPI, i.1, rank # 96), attacks on critical government journalists and press agencies (PFD, i.1, rank # 83) and the cooling of the fight against corruption (COR, i.1, rank # 74) after the departure of Judge Sergio Moro from the Ministry of Justice. For example, the stalling of an investigation into President Bolsonaro's son for a scheme to embezzle money while he was a parliamentarian in Rio de Janeiro. The presence of military personnel in the highest echelons of the federal government might also be an indication of rent-seeking.

With regard to the EQx Pillars of State Capture (i.1, rank # 52) and Regulatory Capture (i.2, rank # 91), the promised privatization program of state-owned enterprises has advanced very little, and government interventions in these companies has caused market instability and losses to minority shareholders. The long-awaited reform of the tax system has also not moved forward.

56

Brazil remains a country still plagued by serious human rights violations, especially in the crowded prison system, dominated by criminal factions and clashes between suspects and police, which has left hundreds of victims in its wake, including both civilians and police officers. Some commentators would also include the death of hundreds of thousands to COVID-19 (e.g. COF, iii.7, rank # 79 & COM, iii.7, rank # 138) as a severe violation of human rights resulting from the resistance of the President to lockdowns and negligence in the healthcare system. In this regard, two health ministers had to resign for disagreeing with presidential views in 2020.

2020 was also notable for a significant growth in the rate of deforestation in Brazil. This deliberate policy amounts to the extraction of resources from future generations and is reflected in the countries performance in the *Environmental Performance Index* (EPI, iii.9, rank # 49).

Brazil's economic power remains highly concentrated in the hands of a few billionaires and businesses. The elites have shaped institutions to the extent that the country languishes at rank # 139 in the *Top 10% share of pretax national income* (INE, iii.8). At the same time, thousands of small businesses closed their doors in 2020 (SME, ii.5, rank # 47). Only the agricultural sector has maintained some momentum through the pandemic due to its close ties with the Chinese economy. *Unemployment* in-

creased to 14% of the total population (UEM, iv.12, rank # 98), with about 18% of young Brazilians neither studying nor in work (YUN, iv.12, rank # 125)

Brazil already has one of the highest global *Homicide rates* (27:100,000), (HOM, iii.8, rank # 95), has serious substance abuse issues – particularly with cocaine – (SUB, iii.8, rank # 120) and is an important hub in the export of drugs to the US and Europe. Unlike property crimes, which fell during the lockdown period, homicides remained at catastrophically high levels in 2020. With the growth of home office and internet use, Brazil has also become one of the world's epicenters of cyber-crime (GCI, iii.8, rank # 70).

2020 aggravated the country's fiscal crisis, already burdened with spending on functionalism and social security. Brazil's *Government debt as a % of GDP* (DBT, iii.9) is 89.3% and ranks # 116. However, interest and inflation rates remained under control at low levels (DNI, iv.11, rank # 12 & DOI, iv.11, rank # 66). The capital market suffered a severe shock at the beginning of the pandemic, but the year was also notable for the launch of many IPOs, a sign that Economic Value (iv, rank # 111) is still being created despite all of the current challenges. The increase in the digitization of services saw the emergence of several Brazilian 'unicorns' (UNC, iv.11, rank # 19).

The budget is highly concentrated at the federal level. Simultaneously, many public services and obligations to provide safety, health and education to local populations are the responsibility or co-responsibility of state or municipal authorities (ADE, i.1, rank # 15). Throughout the country, the health system suffered from a lack of ICU beds, oxygen, ventilators and medications. This systemic weakness explains why Brazil occupies position # 138 out of the 151 countries assessed in the COVID mortality ranking (COM, iii.7). Political Value (iii, rank # 129) is not being created in this regard. A national pandemic policy, proper coordination, and the provision of resources for the health system were all lacking.

In summary, Brazil faces enormous challenges given its extractive business models and the existential shock that the pandemic has delivered. Yet the richness of the country and the ingenuity of its people could still switch the country towards a trajectory of Value Creation at any moment. The likelihood of such a transition occurring ultimately depends on the quality of its elite political leadership.

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Brazil

EQx2021 Country Scorecard

Population 211 million
 GDP (nominal) 1840 billion USD
 GDP per capita 8'717 USD



Level 1 - Index

EQx Rank / 151	EQx Score
86	46.1

Middle Quality Elites

Level 2 - Sub-Indices & Index Areas

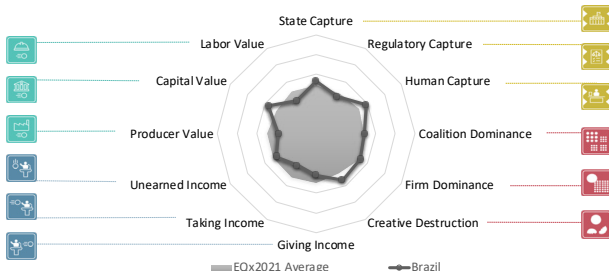
EQx Sub-Indices			
Power		Value	
Rank / 151	Score	Rank / 151	Score
50	52.0	120	43.2

EQx Index Areas

Political Power (I)		Economic Power (II)		Political Value (III)		Economic Value (IV)	
Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score
67	51.1	40	52.4	129	41.4	111	44.1

Level 3 - Pillars

		Rank / 151	Score
Political Power (I)	State Capture	52	53.3
	Regulatory Capture	91	43.4
	Human Capture	53	58.7
Economic Power (II)	Coalition Dominance	81	48.9
	Firm Dominance	78	51.7
	Creative Destruction	41	54.0
Political Value (III)	Giving Income	122	42.0
	Taking Income	141	37.1
	Unearned Income	82	46.3
Economic Value (IV)	Producer Value	135	38.0
	Capital Value	39	55.8
	Labor Value	118	38.2



Level 4 - EQx Indicators

		Rank / 151	Score	
State Capture (i.1)	COR Political corruption	74	49.3	
	MOB Social mobility	92	29.1	
	PDE Political decentralization	4	87.1	
	ADE Administrative decentralization	15	79.7	
	PGL Political globalization	26	77.3	
	WPI Women's Power Index	96	36.2	
	RTC Government's responsiveness to change	112	24.3	
	EPR E-Participation Index	18	78.2	
	PFDP Press freedom	83	51.6	
	COC Control of corruption	74	45.6	
Regulatory Capture (i.2)	DBI Institutional quality	102	40.4	
	CRO Crony capitalism	35	54.2	
	PMI Protecting minority investors	57	59.7	
	ECR Ease of challenging regulations	98	28.6	
	EDB Digital institutional quality	32	25.3	
	PRI Property rights	67	50.8	
	GSI Global Slavery Index	23	67.5	
	WBL Women, business and the law	62	58.7	
	LIN LGBT+ Inclusiveness	34	71.4	
	GRI Religion - Government Restriction Index	17	78.3	
Human Capture (i.3)	SHI Religion - Social Hostilities Index	119	32.5	
	WSB Women self made billionaires	8	74.7	
	HRI Human Rights Index	95	35.5	
	FDP Forcibly displaced population as % of population	35	56.2	
	AFI Academic Freedom Index	109	33.7	
	Coalition Dominance (ii.4)	IEE Top 3 industries exports as % of GDP		
		ECI Economic Complexity Index	34	66.3
		IVA Top 3 industries as % of VA	68	36.9
		CON Construction as % of GDP (dev. fm optimum)	25	56.6
		MIL Military expenses as % of GDP (dev. fm optimum)	54	61.4
UNI Unionization rate (dev. fm optimum)		35	57.6	
CBC Collective bargaining coverage		45	23.0	
BSN Barriers in service & network sectors		35	34.5	
PRO Top 10 firms profitability		82	52.3	
SME SMEs per 1,000 people		47	44.1	
Firm Dominance (ii.5)	BIW Billionaires' wealth as % of GDP	123	38.4	
	FKG Top 10 firms market cap as % of GDP	38	51.9	
	FRG Top 3 firms revenues as % of GDP	41	56.5	
	FRR Top 30 firms revenues as % of GDP	33	59.8	
	TUL Listed firms turnover, long run 15 years	4	86.8	
	TUS Listed firms turnover, short run 3 years	4	79.4	
	ENT Entrepreneurship	86	32.4	
	VCK Venture capital finance	13	70.4	
	RND R&D as a % of GDP	24	66.8	
	ENR Firm entry ratio	70	49.2	
Creative Destruction (ii.6)	EXR Firm exit ratio			
	BCD Billionaire's creative destruction	32	49.2	
	IWE Index of Women Entrepreneurs	30	56.7	
	VCA Venture capital availability	99	34.2	
	GSE Governmental support to entrepreneurship	41	43.7	

		Rank / 151	Score
Giving Income (iii.7)	SNT Subsidies and transfers as % of expenses	84	27.8
	REG Regional redistribution as % of government budget	125	17.2
	EDU School life expectancy		
	GPS Expenditure on general public services as % of GDP (dev. fm optimum)		
	INT Internet access	67	59.3
	NRI Network Readiness Index	54	52.5
	LEW Life expectancy women	42	64.7
	LEM Life expectancy men	52	57.6
	FSQ Global Food Security Index - availability, quality and safety	29	69.0
	COV COVID-19 excess deaths, age-adjusted	34	30.5
Taking Income (iii.8)	COF COVID-19 fatality rate, age-adjusted	79	55.3
	CGD COVID-19 growth differential	92	52.1
	COM COVID-19 mortality rate, age-adjusted	138	20.8
	CLS COVID-19 lost schooldays	123	20.6
	OSI Online Service Index	19	77.2
	DCT Corporate tax rate (dev. fm optimum)	115	24.7
	HOM Homicide rate	95	3.3
	INE Top 10% share of pre-tax national income	139	12.4
	FDE Fiscal decentralization	36	45.7
	BTR Tax revenue as % of GDP (dev. fm optimum)	35	67.4
Unearned Income (iii.9)	DRD Battle-related deaths per 100,000 people	1	53.8
	GCI Global Cybersecurity Index	70	56.3
	SUI Suicide rate per 100,000 people	54	63.3
	SUB Death rates from substance use disorders per 100,000 people	120	44.4
	OCR Organized crime	114	22.3
	DUT Dutch disease propensity	85	40.9
	EPI Environmental Performance Index	49	56.5
	DBT Government debt as % of GDP	116	37.7
	TRF Trade freedom	107	33.0
	FDI FDI net inflows as % of GDP	44	50.1
Producer Value (iv.10)	BTF Barriers to FDI	46	55.2
	EGL Economic globalization	74	49.5
	HEI Health Efficiency Index	53	0.8
	OFB Open for business	45	25.3
	ESG ESG company scores	28	52.6
	RDR R&D as % of revenue Top 10 firms	29	43.8
	FSA Global Food Security Index - affordability	43	64.0
	PAT Number of patent applications per 100,000 people	24	49.3
	IPM Share of imports targeted by protectionist measures	141	0.0
	DGI Share of discriminatory government interventions as % of GDP	50	54.7
Capital Value (iv.11)	DNI Neutral interest rate (dev. fm optimum)	12	59.9
	DOI Inflation (dev. fm optimum)	66	58.8
	GOL Gold demand as % of GDP	3	67.7
	DMA M&A as % of investment - 3 yrs. rolling average (dev. fm optimum)	21	57.6
	DKI Delta capital gains tax vs income tax	40	34.3
	UNC Unicorns per 1 million people	19	50.0
	BSG Billionaires self-made number per 1 million people	43	35.7
	BSM Billionaires self-made as % of total billionaires	46	39.8
	FMI Financial Markets Index	21	83.9
	UEM Unemployment rate	98	27.3
Labor Value (iv.12)	LFP Labor force participation rate	57	55.2
	WLP Delta real wage vs labor productivity increases		
	LDR Labor dependency ratio	64	60.8
	YUN Youth unemployment rate	125	23.8
	GWG Gender wage gap	125	6.6
	BRN Net brain drain	24	59.7
	LFR Labor force participation ratio - male vs female	90	51.4

The Elite Quality Report 2021 (EQx2021) provides Country Scores and Global Rankings for 151 countries © Foundation for Value Creation 2021