

Understanding Systemic Corruption in Brazil: The Impacts of Operation Lava Jato on the Oil and Civil Construction Industries

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Introduction

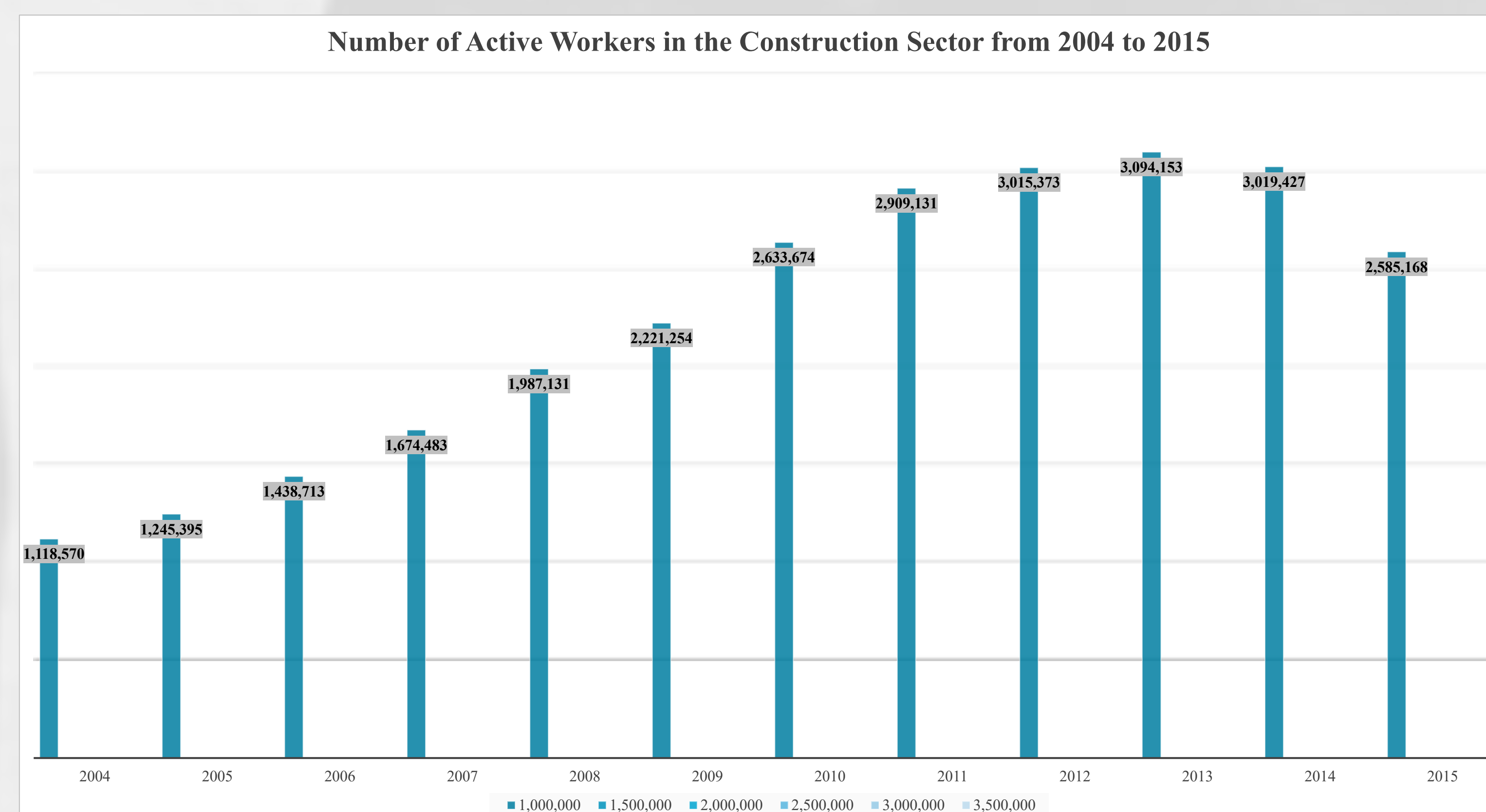
- Systemic corruption is a problem faced by the Brazilian population since the colonial period. It consists of groups of people or companies coming together to engage in unlawful actions intended for private gain.
- Often, the companies involved in this specific form of corruption are large-scale enterprises responsible for large amounts of a country's GDP and the employment of many.
- Systemic corruption goes unnoticed in countries where corruption is normalized; thus, once corruption is exposed, companies often collapse. This is illustrated in Brazil by Operation Lava Jato.

Methodology

- In order to achieve the objectives of this work, data consultation and analysis of official documents released by governmental websites, economic books and articles on specialized magazines, master thesis, and doctorate dissertations were conducted using a constructivist point of view.
- This research relies on an analysis of the civil construction sector with data collected during the period from 2004 to 2015 in order to make some considerations about the impact of Operation Lava Jato in the sector under study.

Results

- In 2014, the Federal Police of Brazil and the Federal Prosecution Service came together to launch the ongoing Operation Lava Jato, a series of investigations and judgements regarding political money laundering which eventually discovered corruption at Petrobras, which led to the following findings:
 - The conduct of company leaders, managers, or members of the direction board shapes the outcome of a company's general performance;
 - The reallocation of money causes opportunity costs to rise as less capital is being spent towards a company's needs, causing less products to be manufactured since there is a shortage of capital available for use.
 - The operation caused the government to distrust the companies involved in the issue as officials often reflected on the companies' legitimacy and ability to conduct projects;
 - As a constructivist would argue, most officials conformed with the idea that companies were not trustworthy anymore, thus most of the money given would be used for corruption purposes.
 - The federal government decreased 60% of the quantity of money given to the companies in 2015 and 30% in 2016 in comparison to the one given in 2014,
 - Disbursements made in the sector fell 42% in 2015 in relation to 2014.
 - In 2014, the companies involved in the corruption scandal reported a reduction of 49% on their total number of employees.
 - 55.1 thousand engineers were fired while 52.01 thousand were hired in 2014.
 - The entire construction sector had a loss of 109 thousand formal jobs in 2014, and 417 thousand in 2015.
 - Petrobras, for example, reported a 58% reduction in its total number of employees from December 2013 to December 2016.
 - During the report of the scandal (2014-2015), there was also a 66% decrease in the price of oil.



Conclusion

- The main cause of the recession faced in the country between 2014 to 2016 was due to Operation Lava Jato since it was responsible for dismantling companies which heavily influenced the overall economic performance of the country.
- To combat this issue, one solution only is not adequate to fix the problem. It is necessary to make the use of solutions who will reach and fix the problems seen in the system.
- First, I propose that corruption should not be normalized by the Brazilian population as small corruption practices are often regularized through a series of actions named "Jeitinho Brasileiro."
- Second, the companies involved in the scandal should be allowed to conduct their operations normally. Companies should, nonetheless, be given leniency agreements in which they agree on aiding the fight against systemic corruption by compensating the government and agreeing to cooperate on investigations, if necessary.
- Lastly, I believe that the government interference in state companies should be limited. By limiting the government participation, activities will be able to be conducted in a proper and ethical manner as less favors will be made between officials and the companies. This will align the activities conducted with the law.
- Therefore, there should be a compromise of solutions that will avoid damaging the economy, the government, and the population as a whole.

Primary Literature Cited

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