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AN APPLICATION OF ECONOMIC NORMS THEORY TO BRAZILIAN CORRUPTION

by

NINA NETO

A thesis submitted in partial fulfillment of the requirements  
for the Honors in the Major Program in International and Global Studies  
in the College of Sciences  
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at the University of Central Florida  
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Thesis Chair: Michael Mousseau, Ph.D.

**Abstract:** This study aims to explore the relationship between clientelistic economies and systemic corruption under the framework of Economic Norms Theory. Pointedly, it examines the evolution of contractual mortgage credit as a percentage of GDP (representing the growth of a non-self-enforcing contract market) compared to both actual and perceived levels of corruption in Brazil in order to assess whether Brazil is exemplary of a transitioning economy under the theory of Economic Norms. The hypothesis of this paper is two-fold. First, I expect that as mortgage credit as a percentage of GDP generally increases, actual corruption will decrease. Secondly, I expect that as perceptions of corruption worsen, actual corruption will improve. The results corroborated the hypothesis: as mortgage contracts occupy a larger percentage of national GDP, perceptions of corruption worsened while actual corruption has slightly improved. These findings suggest a shifting set of public values away from clientelistic norms and towards norms associated with contract-intensive economies.

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## Introduction

Brazil is an enigmatic player in the international sphere: a country characterized by bountiful economic prospect yet anchored by the plague of corruption which has withheld it from achieving a place in the league of more developed nations. The common discourse amongst scholars, political figureheads, and constituents alike often settle into theoretical prescriptions of cross-partisan liability, the shortcomings of legal accountability, or geopolitical history. While elements of these perspectives are certainly noteworthy, they fail to offer substantially helpful policy implications and do not consider the intricacies of economic norms and values which inform the systemic nature of state corruption.

This study aims to explore a new idea for Brazilian corruption: the relationship between contract-intensiveness of the economy and systemic corruption as identified by Economic Norms Theory<sup>1</sup>. Economic Norms Theory explores the dichotomy between contract-intensive and clientelist economic societies and their respective proclivity toward certain domestic and international political behaviors. Utilizing this perspective, we can identify certain root causes of systemic corruption by both state (formal) and organized individual (informal) actors. Drawing on economic norms theory, this paper examines the evolution of both mortgage contracts as a percentage of GDP (representing the growth of a non-self-enforcing contract market) and life insurance, as well as both *actual* and *perceived* corruption in Brazil in order to assess whether Brazil is exemplary of a transitioning economy under the theory.

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<sup>1</sup> Michael Mousseau. "The End of War: How a Robust Marketplace and Liberal Hegemony Are Leading to Perpetual World Peace." *MIT Press Journals*, International Security, Vol. 44, No. 1, 2019.

The hypothesis of this paper is two-fold. First, I expect that as actual corruption generally decreases, mortgage credit as a percentage of GDP will increase. Secondly, I expect that as perceptions of corruption worsen, actual corruption may be improving. The results corroborated the hypotheses: as mortgage contracts occupy a larger percentage of national GDP in Brazil, perceptions of corruption worsened while actual corruption has become slightly better as of last year. These findings suggest a shifting set of public values away from clientelistic norms and towards contract-intensive norms informed by the increased reliance of the people towards the state to behave as an enforcing third party.

This paper will be organized in the following manner. First, it will contextualize the corrupt political culture of Brazil through the framework of the recent Operation Car Wash Scandal. After that, existing literature that aims to explain the sources of systemic corruption (including Economic Norms Theory) is reviewed. Next I present the research methodology. I conclude with a reflection on the findings of this study.

### **Corruption in Brazil Today**

The research into the implications of Brazilian corruption are far-reaching and extensive. For purposes of this study, corruption will be defined as the use of political power to facilitate or instigate bribery and theft on a state-level. Transparency International has ranked Brazil at 106th place out of 198 countries on the Corruption Perception Index with a score of 35/100 in the year 2019 (1: The most corruption; 100: The least corruption).<sup>2</sup> DeVore paints the picture of life in

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<sup>2</sup> "Corruption Perceptions Index." *Transparency.org*, [www.transparency.org/en/cpi](http://www.transparency.org/en/cpi).

impoverished, rural areas of Brazil, where promised infrastructural improvements and social programs never materialize due to public funds being misappropriated.<sup>3</sup>

Attempts to explain the systemic nature of corruption in Brazil are still in their infancy. In Petra Costa's 2019 documentary, *The Edge of Democracy*, the scope of systemic corruption and the political climate of Brazil are explored during the course of the Operation Car Wash investigation, arguably the most startling political corruption scandal in Latin American History. Operation Car Wash can be characterized as a complex and mafia-like structure of construction firm cartels which secured government contracts to build complexes for the state Petroleum company, Petrobras, through the use of massive bribes paid to top government officials and Petrobras executives.<sup>4</sup> Politicians and Petrobras executives received kickbacks for awarding contracts to specific construction firms, who would charge extortionate prices for the contracts.<sup>5</sup> This system of under-the-table political patronage was emblematic of clientelistic values being reflected by the highest echelons of Brazilian society. The Operation Car Wash Scandal resulted in hundreds of individuals accused of corruption crimes, including top-ranking political officials and business executives. To further the levels of political instability faced by Brazil during this era, former President Luiz Inácio Lula da Silva was arrested, his successor President Dilma Rousseff was impeached, and her ascending Vice President Michel Temer (of a diametrically-opposed political

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<sup>3</sup> Jonathan DeVore (2019) *Devouring the Public Good: Everyday Forms of Financial Extrac-tivism*, *NACLA Report on the Americas*, 51:2, 159-166, DOI: 10.1080/10714839.2019.1617483

<sup>4</sup> Petra Costa. et al. *The Edge of Democracy*. Netflix, 2019.

<sup>5</sup> Ibid.

party) also underwent impeachment hearings.<sup>6</sup> It was a political scandal that rocked Latin America to its core. This resulted in a drop in mortgage credit acquired between 2017-2019.<sup>7</sup> This was due to a substantial recession which was caused, in great part, by a deepened distrust in the state amongst investors and the general public immediately after the Operation Car Wash scandal.<sup>8</sup>

The degree to which corruption permeates within Brazilian law enforcement must also be addressed. Adorno explores the argument that many of the roots of corruption are found within the police and militia forces of Brazil.<sup>9</sup> He indicates characteristics of clientelism connecting even seemingly-opposing forces, “The “cooperation” among small company owners, drug pushers and policemen (civil and military policemen) seems to form the basis of some parallel power competing with the public sector for the monopoly on legitimate physical violence...”<sup>10</sup> Adorno notes the corruption within Brazilian’s criminal justice system exhibits a direct relationship between growing democratic status and growing violence rates.<sup>11</sup> However, Adorno also argues that even with corruption permeating throughout multiple sectors of the state, “One may suspect that this sort of corruption will become systemic. Still, it seems not to have captured the entire state

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<sup>6</sup> Ernesto Londoño, and Leticia Casado. “Former President Michel Temer of Brazil Is Arrested in Bribery Probe.” *The New York Times*, The New York Times, 21 Mar. 2019, [www.nytimes.com/2019/03/21/world/americas/michel-temer-arrested-prisao.html](http://www.nytimes.com/2019/03/21/world/americas/michel-temer-arrested-prisao.html).

<sup>7</sup> Banco Central do Brasil-BCB-Microdados [https://www.bcb.gov.br/estatisticas/grafico/grafico-cosic/indices\\_imobiliario\\_pib](https://www.bcb.gov.br/estatisticas/grafico/grafico-cosic/indices_imobiliario_pib)

<sup>8</sup> “Brazil's Recession Worst on Record.” *BBC News*, BBC, 7 Mar. 2017, [www.bbc.com/news/business-39193748](http://www.bbc.com/news/business-39193748).

<sup>9</sup> Sergio Adorno. “Democracy in Progress in Contemporary Brazil: Corruption, Organized Crime, Violence and New Paths to the Rule of Law.” *JSTOR*, Department of Sociology, Center for the Study of Violence, University of Sao Paulo, 2012.

<sup>10</sup> *Ibid.*, p. 418.

<sup>11</sup> *Ibid.*, p. 422.



apparatus, especially the criminal justice system.”<sup>12</sup> As previously noted by Adorno, the Brazilian criminal justice system is plagued with attempts by non-state actors to challenge the state’s monopoly on physical force.

### **Prior Explanations of Corruption**

The attempts to explain systemic corruption in Brazil’s political culture diverge; however, three dominant theories tend to receive the most attention. These three theories include judicial accountability, clientelism, and geopolitical history.

Within the literature, we can identify popular support towards a theory of judicial accountability (or lack thereof) being the most prominent factor in determining the presence of corruption. For purposes of this study, judicial accountability is defined as the fair & equal administration of reprimanding consequences towards judges found guilty of misconduct. Moro, a former Minister of Justice and Public Security, who notably served as the federal judge who led the Operation Car Wash investigation, agrees with the characterization of Brazil’s corruption as being of a systemic nature resulting from weak systems of judicial accountability.<sup>13</sup> His focus is mainly on lack of legal accountability within the Brazilian judicial system. He places large blame on the inadequate quantity and quality of written laws within the system. Transparency International argues that lack of transparency in regards to state funds and lax justice systems are responsible for Corruption in developing countries stating that, “The legal framework is an es-

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<sup>12</sup> Ibid., p. 422

<sup>13</sup> Sérgio Fernando Moro. “Preventing Systemic Corruption in Brazil.” *Daedalus*, vol. 147, no. 3, Summer 2018, pp. 157–168. doi:10.1162/daed\_a\_00508.

sential foundation for addressing corruption...”<sup>14</sup> Benjamin A. Olken and Rohini Pande also make the accountability argument noting that incentives offered to bureaucratic actors in a corruption scheme will outweigh the alternative should strong accountability measures not be in place<sup>15</sup>. While accountability theory is rather popular in the literature, it does not explain how weak systems of accountability are conceived and does very little in the way of policy implications. Is the solution to simply “create more laws”? Can this proposed solution cure inequities in the application and enforcement of those laws?

Clientelism, which for purposes of this study will be defined as the degree to which the allocation of resources or fiscal incentives are allocated to an individual or group in exchange for political support, characterizes the political climate of Brazil. This is especially the case in the context of Brazilian corruption scandals, such as Operation Car Wash. Barbara Geddes & Artur Ribeiro Neto say the concept of clientelism is given a large amount of credit for systemic corruption<sup>16</sup>. They argue that although the prevalence of anti-corruption systems and associations was increasing in the early-90’s, it, “...does not imply that traditional forms of pork barrel politics, clientelism, and corruption have disappeared.”<sup>17</sup> Geddes & Neto continue by explaining the intrinsic necessity for Presidential and legislative candidates to exchange personal goods to acquire

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<sup>14</sup> Stephanie Trapnell, et al. SOURCES OF CORRUPTION DATA. Transparency International, 2017, pp. 74–83, MONITORING CORRUPTION AND ANTI-CORRUPTION IN THE SUSTAINABLE DEVELOPMENT GOALS: A Resource Guide, [www.jstor.org/stable/resrep20564.9](http://www.jstor.org/stable/resrep20564.9). Accessed 23 Nov. 2020.

<sup>15</sup> Benjamin Olken, and Rohini Pande. *Corruption in Developing Countries - MIT Economics Annual Reviews*, 2012

<sup>16</sup> Barbara Geddes, and Artur Ribeiro Neto. “Institutional Sources of Corruption in Brazil.” *Third World Quarterly*, vol. 13, no. 4, 1992

<sup>17</sup> *Ibid.* p. 641.

votes, stating that, “The distribution of private goods occurs through clientele networks.”<sup>18</sup> They explain especially amongst more rural and impoverished areas, competing politicians must depend on gaining personal preferences through personality and a proven history of being strong distributors of goods, stating that ,“Another factor contributing to the increase in corruption is the increase in the legislative representation of the backward parts of the country. In these areas, candidates' appeals to voters depend more on clientelism...”<sup>19</sup> This legislative increase in areas which lean toward clientelism help to enforce the compulsion of political patronage.

Beyond the self-enforcing pressure to win through clientelism in these regions, the candidates themselves who grew up in heavily clientelistic regions of the north bring such practices with them.<sup>20</sup> Geddes and Neto argue that despite successful efforts to move the national political environment away from clientelism that, “Nevertheless, in a fairly stable party system in which presidents came from the largest parties and used their monopoly over state resources and patronage to consolidate party support, party leaders had informal levers with which to ensure some minimal discipline.”<sup>21</sup>

Geopolitical factors have also been utilized to describe the rise of systemic corruption in Brazil. Barney Warf and Sheridan Stewart argue that systemic corruption throughout Latin America is cause by a diverse array of sources that are rooted in geographical variety, as opposed to one universal source, arguing that other theories, “...fail to explore ways in which geography

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<sup>18</sup> Ibid. p. 641.

<sup>19</sup> Ibid. p. 641.

<sup>20</sup> Ibid

<sup>21</sup> Ibid. p. 653.

is intimately bound up in the phenomenon. Corruption exhibits a broad range of severity and forms throughout Latin America”<sup>22</sup>; however, they also argue the relevance of colonial history & the historical lack of accountability in explaining Latin American corruption due to colonial powers depriving Brazil of proper state-building resources or opportunities<sup>23</sup>. Although geography and colonial history undoubtedly contribute to the fabric of modern-day Brazil, this theory does not quite explain why certain former colonies do not suffer from systemic corruption to the same degree as Brazil. For example, the United States, a former British colony, ranked #25th place in the world in the Transparency International Corruption Perceptions Index.<sup>24</sup>

In brief, the literature provides explanations of Brazilian corruption which revolve around factors such as judicial accountability, clientelism, and geopolitical history. Although these theories carry merit, they either do not appear to answer the question of why Brazil in particular is prone to corruption of systemic nature, or what policy implications can be set in place so as to meaningfully alter the fabric of Brazil. It is necessary to introduce a new theoretical approach to our understanding of Brazil’s systemic issues which can both holistically-diagnose the root causes of corruption syndicates, whilst also offering solutions to these matters.

### **Economic Norms Theory**

Economic Norms Theory, conceptualized by Michael Mousseau, explores the implications and economic value-driven sources of clientelism within state boundaries and across multi-

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<sup>22</sup> Barney Warf, and Sheridan Stewart. “Latin American Corruption in Geographic Perspective ...” *JSTOR*, University of Texas Press, Mar. 2016. Pg. 140

<sup>23</sup> *Ibid.*

<sup>24</sup> “Corruption Perceptions Index.” Transparency.org, [www.transparency.org/en/cpi](http://www.transparency.org/en/cpi).

lateral lines. Economic Norms Theory characterizes nation-states on a spectrum of economic value systems, ranging from Clientelism to Contractualist societies<sup>25</sup>. In a contractualist society, individuals feel completely secure in conducting business or exchanging financial collateral with complete “strangers” via the security of a contract as it is enforced by the state which is relied upon to impartially protect all parties in the contractual agreement<sup>26</sup>. According to Mousseau, “The quid pro quo nature of the cooperation implies no obligation among the parties beyond that expressed in the contract.”<sup>27</sup>

Clientelism, on the other hand, is characterized by tribute systems, reminiscent of feudal arrangements,<sup>28</sup> in which relationships and protections are used as collateral, and therefore, business proceedings with strangers are less frequent. The theory goes on to argue that in an increasingly globalized world, so long as the leading hegemonies are of a contractual nature, the rest of the world will gradually move in the direction of contractualist tendencies and away from “old-school” clientelism<sup>29</sup>. Clientelism can often be identified in developing countries with histories of colonialism, and as such, “postcolonial governments are often extremely corrupt, with personal ties of network relationships prevailing on state authorities...”<sup>30</sup> These states are often active

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<sup>25</sup> Michael Mousseau. “The End of War: How a Robust Marketplace and Liberal Hegemony Are Leading to Perpetual World Peace.” *MIT Press Journals*, International Security, Vol. 44, No. 1, 2019.

<sup>26</sup> *Ibid.*

<sup>27</sup> Michael Mousseau. “Market Civilization and Its Clash with Terror.” *MIT Press Journals*, MIT & The President and Fellows of Harvard College, 2003. Pgs. 10-11

<sup>28</sup> *Ibid.*

<sup>29</sup> *Ibid.*

<sup>30</sup> *Ibid.* pg. 175

in concealing the misdistribution of state funds and the “under-the-table” nature of clientelism is such that these tribute exchanges are often not accompanied by a paper trail of evidence.

Mousseau continues that the perspective of this lens can aid us in comprehending why certain developing states are riddled by corruption due to their tendency, “...to have political cultures characterized by extensive informal patronage networks (known for, among other things, high levels of corruption)”<sup>31</sup> The “growing pains” of a state transitioning into contractualism explains why these states are so often unstable and struggle with democratic consolidation, self-determination, and fair economic prosperity<sup>32</sup>.

## **Hypothesis**

The question I am seeking to answer is: Can Economic Norms Theory be utilized to explain deep-rooted corruption in Brazil? If so, is Brazil gradually changing into a contract-intensive economy? In order to assess this theory, we must observe the direction of contractual agreements, such as Life Insurance and state-guaranteed Mortgage credit. If it is indeed changing, then actual corruption should be declining while levels of said non-self-enforcing contracts should be increasing. However, the theory also postulates a seemingly-ironic effect that as these conditions are met, perceived levels of corruption are actually likely to increase. This can be attributed to the increased necessity for the state to behave as a trustworthy and competent third-party in non-self-enforcing agreements for a larger portion of the population. As a result, this larger portion of the population becomes far more preoccupied and mindful of the levels of cor-

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<sup>31</sup> Michael Mousseau. “Market Civilization and Its Clash with Terror.” *MIT Press Journals*, MIT & The President and Fellows of Harvard College, 2003. Pg. 12

<sup>32</sup> *Ibid.*

ruption in Brazil, leading to the perception that the state is becoming more corrupt, even if levels of corruption are actually decreasing. The unique perspective offered by this study will be the correlative analysis between corruption and mortgage data as a sign of a transitioning economy. If the frequency of contractual agreements has increased, then according to the theory, *public perception* of corruption will increase while *actual* corruption decreases.

The support of the hypothesis would suggest that the public impression of patrimonial behavior in the Brazilian political regime is altering from a state of “this is the status quo” to “this is wrongful corruption”. As the public becomes increasingly dependent on State accountability for enforcing contracts, the public’s expectations for state behavior increases. Therefore, even as corruption begins to decrease, public perception of corruption in Brazil worsens.

## **Research Methodology**

In order to observe *actual* corruption, we will be observing the V-dem dataset, a democracy database that utilizes expert opinions to codify different variables of democracy over time. The variable we will be using is *Regime Corruption (v2xnp\_regcorr)* from the V-dem database. The question posed to coders for the Regime Corruption variable was “To what extent do political actors use political office for private or political gain?”.<sup>33</sup>

In order to observe *perceived* corruption, we will be drawing from the Transparency International study on perceived corruption in Brazil. Transparency International utilizes surveys from a combination of businesspeople and experts to gauge the public perception of corruption in a nation. For purposes of our study, we will be subtracting each year’s respective TI rating from

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<sup>33</sup> Ibid., p. 224

100 to create a reversed scale (therefore, lower numbers in Figure 3 indicate lower levels of perceived corruption and higher numbers indicate higher levels of perceived corruption).

To gauge non-self-enforcing contracting in order to assess whether Brazil's economy is changing, we will observe the evolution of two non-self-enforcing contracts: state-backed mortgage credit and life insurance. Self-enforcing contracts do not require a third party, such as the state, to hold each party accountable to their own terms as the satisfaction of all respective terms is immediate (I will trade you A for B). Whereas non-self-enforcing contracts require trust in a third party accountability system in order to ensure that all terms are met as the satisfaction of these terms are often delegated throughout time (I will trade you A in exchange for 10-monthly payments of B). State-backed mortgage guarantees are a strong exemplification of a non-self-enforcing contract as the Grantor must rely on the state to enforce the pay-out by the lender, and the Lender, in turn, must rely on the state to enforce that the loan, along with interest, is paid back in full by the Grantor. This requires an enormous amount of trust in contractual agreements, which is a result of state accountability. Clientelistic states are characterized by low levels of state-backed guarantees.<sup>34</sup> It stands to reason then that real estate transactions in clientelistic states will be highly reflective of familial inheritance of paid-off properties and largely void of formal mortgage transactions.

Therefore, as the economy of a state transitions into a contract-intensive economy, more individuals depend on the state to behave in a reliable, law-abiding manner. The dependent variable, in this case, will be levels of regime corruption from 2004-2019 and the independent vari-

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<sup>34</sup> Michael Mousseau. "The End of War: How a Robust Marketplace and Liberal Hegemony Are Leading to Perpetual World Peace." *MIT Press Journals*, International Security, Vol. 44, No. 1, 2019.



able will be the growth of the mortgage market. I expect that as state-backed mortgage guarantees increase, actual corruption decreases.

The purpose of analyzing enforced life insurance per capita is to include another measure of contract-intensive economy. Life insurance is a non-self-enforcing contract as the Grantor is not even alive to ensure that the Insurance Company will, in fact, pay out their claim to the Beneficiary after the death of the Grantor.

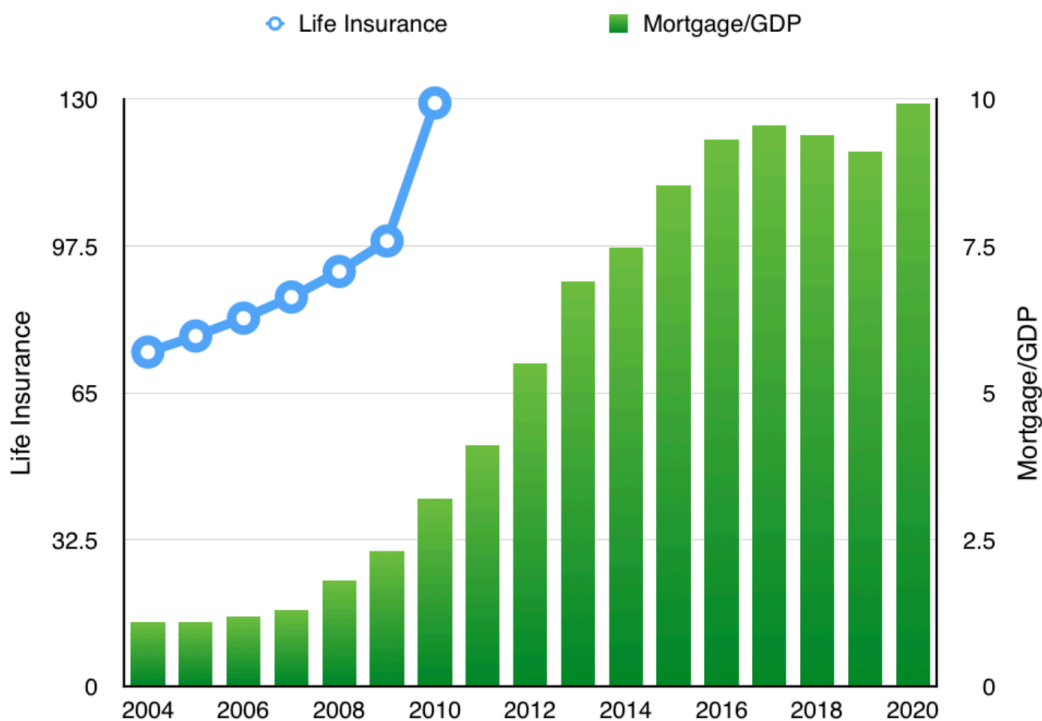
In this case, I expect that as actual corruption decreases over time, the rates of life insurance will increase. The dependent variable, in this case, will be levels of regime corruption from 2004-2019 and the independent variable will be the growth of the life insurance market. I expect that as the life insurance market increases, actual corruption will decrease because as individuals become more reliant on non-self-enforcing contracts, they hold their State more accountable for deviations in lawfulness.<sup>35</sup>

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<sup>35</sup> Figure 1

## Research Findings

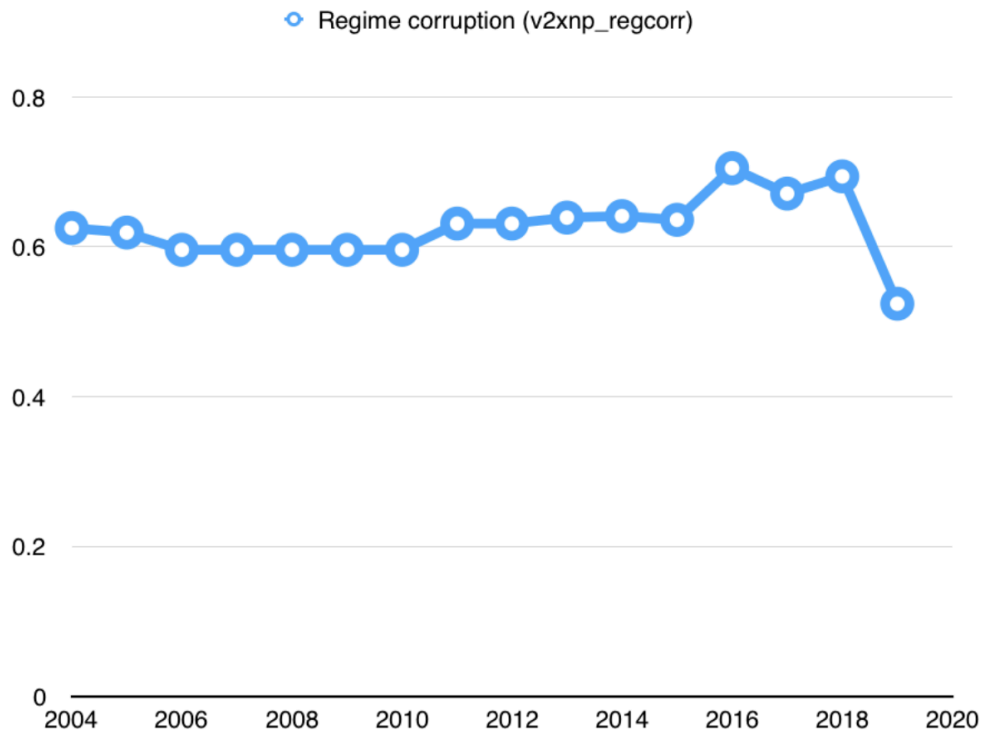
The first question we seek to answer is ‘Is Brazil’s economy’ changing? Figure 1 shows a relatively steady incline in both mortgage credit and life insurance. State-enforced life insurance per capita hit its peak in 2010, whilst mortgage credit continued to increase until 2017, where a slight drop in credit occurred until a sharp increase in 2020.



**FIGURE 1: Chart of Mortgage as a Percent of GDP from 2004-2020 & Enforced Life Insurance Per Capita from 2004-2010** Source(s): Banco Central do Brasil-BCB-Microdados [https://www.bcb.gov.br/estatisticas/grafico/graficocosic/indices\\_imobiliario\\_pib](https://www.bcb.gov.br/estatisticas/grafico/graficocosic/indices_imobiliario_pib) & Michael Mousseau

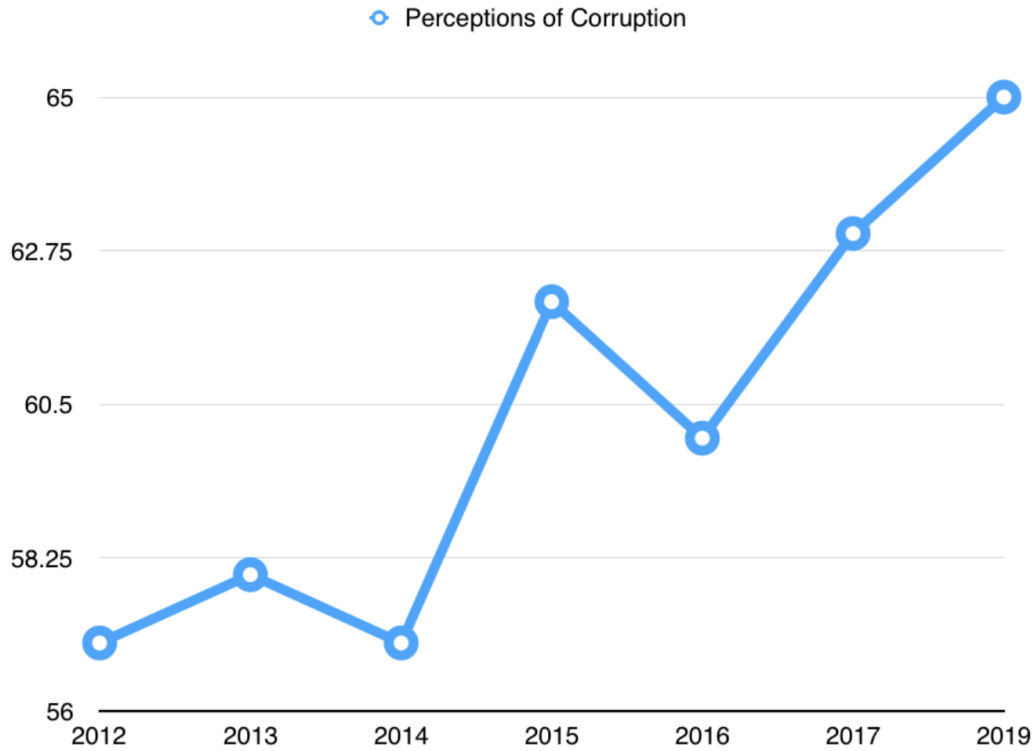
The second question we seek to answer is whether or not corruption is changing? According to Figure 2, regime corruption levels remained relatively steady for close to a decade before slightly increasing after 2015, right as the corruption scandals of Operation Car Wash were com-

ing to light. The level of actual corruption then experienced a rather sharp decline after 2018, marking its lowest level in the observed era.



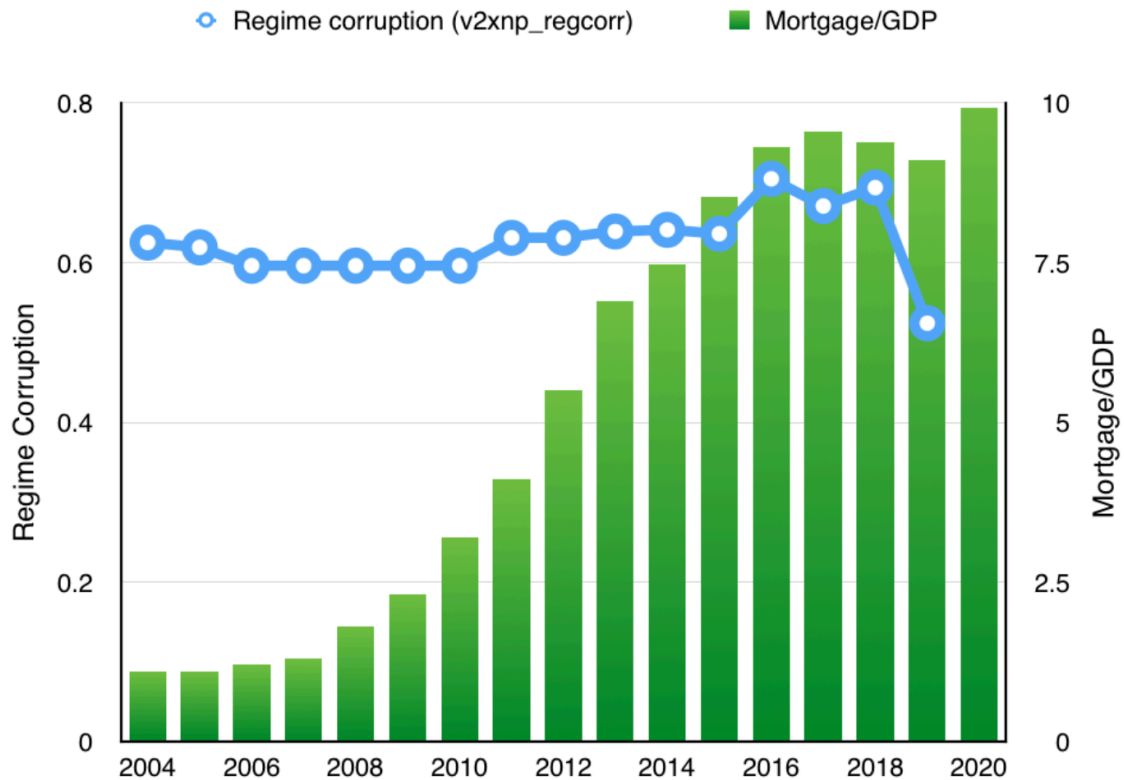
**FIGURE 2: Chart of Regime Corruption from 2004-2019** Source(s): "V-Dem [Brazil 2004-2019] Dataset v8" Varieties of Democracy (V-Dem) Project. (v2xnp\_regcorr)

The final question we seek to answer is whether or not perceptions of corruption are increasing in spite of the recent drop in actual corruption? According to Figure 3, public perceptions of corruption have indeed been increasing, reaching their highest peak in 2019, right as levels of actual corruption had reached their lowest point.



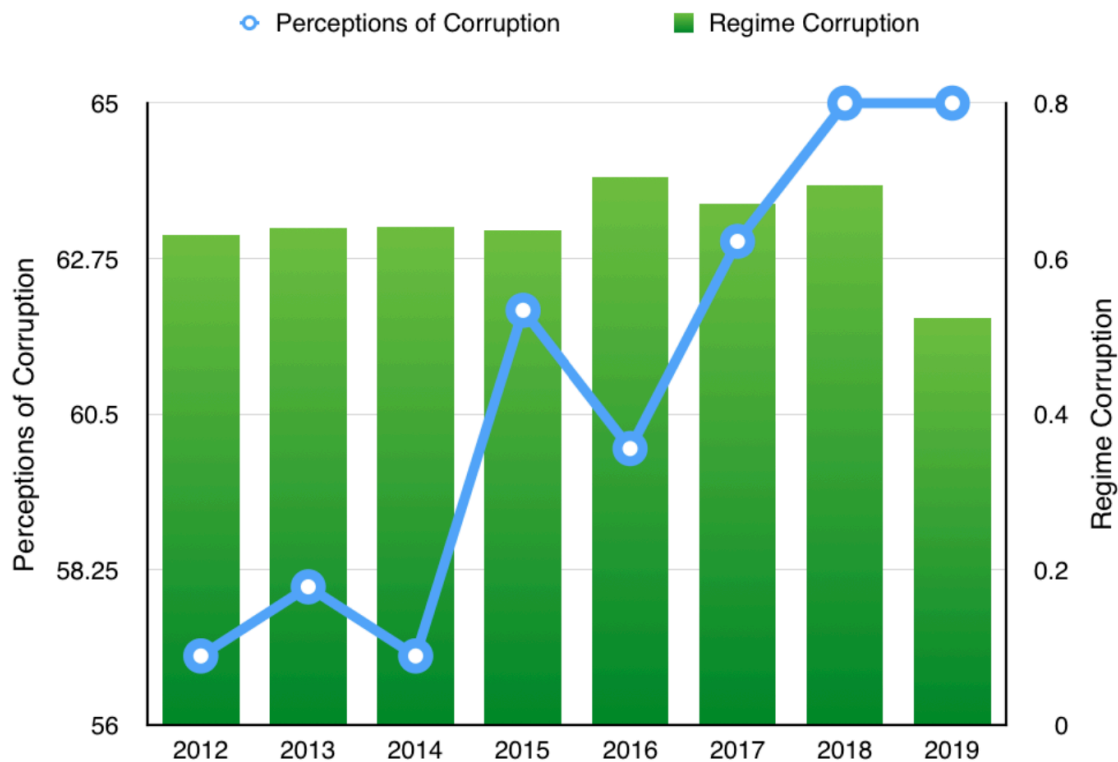
**FIGURE 3: Chart of Perceptions of Corruption from 2012-2019** Source: Transparency International (Note: Datapoints are subtracted from 100 to create reversed scale)

It appears that there is a slight relationship between contractual agreements and actual corruption. Interestingly, the mortgage market appears to have a delayed reaction to changes in corruption. This is evidenced in Figure 4, where we see a steady drop in mortgage credit between 2016-2019, as a response to the Operation Car Wash Scandal, followed by a sudden spike in mortgage credit by 2020.



**FIGURE 4: Chart of Regime Corruption from 2004-2019 and Mortgage as a Percent of GDP from 2004-2020**  
 Source(s): "V-Dem [Brazil 2004-2019] Dataset v8" Varieties of Democracy (V-Dem) Project. (v2xnp\_regcorr) and Banco Central do Brasil-BCB-Microdados [https://www.bcb.gov.br/estatisticas/grafico/graficococisic/indices\\_imobiliario\\_pib](https://www.bcb.gov.br/estatisticas/grafico/graficococisic/indices_imobiliario_pib)

We can also see a slight inverse effect between actual corruption and perceived corruption in Figure 5 between 2012 and 2019. By 2019, perceptions of corruption were the worst they had been during the observed era, while actual corruption was the best it had been during the observed era. These observations support the hypothesis.



**FIGURE 5: Chart of Regime Corruption and Perceptions of Corruption from 2012-2019** Source(s): "V-Dem [Brazil 2004-2019] Dataset v8" Varieties of Democracy (V-Dem) Project. (v2xnp\_regcorr) and Transparency International (Note: Datapoints are subtracted from 100 to create reversed scale)

## Conclusion

The application of a new theoretical approach, Economic Norms Theory, to Brazil was motivated by the pursuit of investigating the root causes of systemic corruption in a State so as to inform the development of substantial policy changes that tackle the issue at its core. In this study, we sought to answer the question of whether Brazil's economy was becoming more contract-intensive, and whether that increased contract-intensiveness was producing lower levels of actual corruption, while also producing higher levels of perceived corruption. In order to examine this theoretical perspective, we utilized the ratio of mortgage credit to Brazilian GDP, along

with life insurance claims, in order to gauge contract-intensive economy. We also utilized actual corruption data from the V-dem dataset, along with perceived corruption data from Transparency International, in order to gauge how the systems of corruption in Brazil, along with those that perceive it, were responding.

What we can predict from these findings is that Brazil may be transitioning to a contractualist economy. This leaves us with a beacon of hope of sorts during this tumultuous time in Brazilian history. Transitioning economies are breeding grounds for conflict as the old framework is replaced with the new. According to the theory, we can now expect that over time, perceptions of corruption will begin to level out to numbers similar to that of contractualist economies, as the prominence of non-self-enforcing contracts increases and actual corruption decreases.

The weaknesses of this study are found in the fact that these are merely graphs and the correlation between these factors may be weak. Also, the chronology of causation cannot be defined by these graphs alone. Perhaps the decline in corruption is what causes an increase in the prominence of mortgage credit and not the other way around, as the theory would suggest. Of course, we cannot categorically predict the future for Brazil utilizing this theory due to lack of evidence, and even if the theory is correct in its optimistic projection for Brazil, it cannot tell us when or how this cleaner government will come about. This study also faces the limitations of the era in which it was studied, as it seems as though Brazil's economy has just begun transitioning within the last couple of years. New studies are needed in the future to see whether or not the predicted trends continue, or whether the recent events of the past few years are merely a coinci-

dental fluke. This paper does, however, offer a new theoretical approach to consider when reflecting upon systemic corruption in Brazil and initial evidence to support the new theory.



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