



## **DIGGING DEEPER INTO BRAZIL'S 2014 PRESIDENTIAL CAMPAIGN FINANCE: an account of private contributions through combined lenses of Public Choice Theory and Austrian Economics**

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**Resumo:** "There is a long-standing tradition that regards Brazil as a rent-seeking society with crony relations (Musacchio and Lazzarini 2014, Latiff and Lisboa 2012; Haber 2002). Such portrait of the Brazilian institutional environment sheds extra light on the explanatory power of public choice theory. The latter is a framework that draws on insights of economics to account for "the behavior of individuals with respect to government" (Tullock et al 2002, p. 3). More specifically it assumes that "people are people" and therefore are actuated by their own self-interest. This implies the view that individual voters, politicians, regulators are just like voters and consumers who exhibit different behavioral outcomes because of the incentives they have under contexts of public and private choices.

The departure point of this paper is the conjecture that the Brazilian presidential private campaign finance in 2014 makes a case for examining the empirical relevance of public choice theory and its some limitations, such as the knowledge problem and the very coordination of interests among private contributors and the political candidates. Our hunch is that Peter Boettke and Edward López (2002) ideas about integrating Public Choice Theory and Austrian economics can add to our understanding of some patterns of rent-seeking activities and maladapted political entrepreneurial moves that promote unintended consequences, such as economic inefficiency.

More precisely, this article aims to dig deeper into the main features underlying the Brazilian process of presidential private campaign finance in 2014. To the best of our knowledge, this type of research is worth doing due to the fact that private financial of presidential election in Brazil is accompanied with important corruption scandals involving major private investors operating in various sectors, such as financial services, infrastructure, public investment projects and petroleum. More fundamentally, what justifies this work is the conviction that patterns of institutionalized rent-seeking in Brazil significantly contribute to its severe current fiscal crisis.

In order to accomplish this task, the paper will be structured as follows. Section 1 discusses the research agenda of public choice theory and its intersections with Austrian economics so as to provide a richer understanding of patterns of political behavior in the real world. Section 2 analyzes the rules of the Brazilian political game until 2014, its specificities and incentives for rent-seeking and capture and why they motivated changes in the system for funding political candidates. Section 3 provides a descriptive-qualitative research approach to investigate: (a) total amount of private contributions to

the presidential candidates; (b) the distribution of private contributions between companies and individual donators; (c) the main entrepreneurial groups with major roles in funding the available candidates and their political parties; (d) the business sectors in which those private groups operate; (e) the main services the private contributors provide to the public sector; (f) some empirical regularities suggesting rent-seeking activities and their implications in terms of economic inefficiency and promotion of government failures. In addition, it goes on to discuss the main empirical results and draws some implications about government failures in a rent-seeking society. Section 4 wraps the overall argument up and concludes.

The current paper will show that the largest contributions to the 2014 presidential campaign were made by private companies rather than individuals. In addition, the participation of the top twenty companies that made the biggest political donations gave more than 65% of the total amount all candidates received. Nevertheless, the three main candidates – Dilma Rousseff, Aécio Neves and Marina Silva received together 96% of all money businesses had directed to funding the 2014 presidential election cycle. We go on to examine which business sectors and companies were the largest private donators. Our preliminary study suggests that some Brazilian politicized economic sectors - construction and engineering; transportation and energy infrastructure; financial services; logistics, oil and ethanol related businesses – concentrated almost 50% of all private companies campaign finance. This leads us to examine whether those large donations in a world of scarce resources reveal that private groups are willing to “buy some privileges”, such as highly subsidized credit programs by BNDES (Brazilian National Bank of Economic Development), the right to appoint or influence public officials that represent their own private interests and to obtain profitable contracts with partly public companies (Petrobras) or to join their large infrastructure projects. In response to the negative political and economic consequences of crony capitalism, the Brazilian Supreme Court enacted a 2015 Campaign Finance Reform. The latter prohibits companies from making contributions to political candidates and their parties. The paper will try to explain why we remain skeptical about the effectiveness of the foregoing measure that somehow amplifies the knowledge problem and lower the degree of political transparency and accountability. More terribly, it takes the risk of preventing us in the future from tracking down the contractual arrangements, biases and predatory relationships between private actors and public officials."

**Palavras-Chave:**