

# POLICY BRIEFS ON LAVA JATO

## Backgrounder on Lava Jato

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## ABOUT THE PROJECT

Lava Jato or Operation Car Wash refers to Latin America's largest known corruption scheme in living memory. Related events began unfolding in Brazil in March of 2014. Construction companies were colluding with employees of Brazil's state-owned oil company to win public works contracts. The oil company's employees took bribes, while politicians obtained kickbacks as personal gifts or campaign donations.

The relevant scholarship had warned that corruption could result in public works being constructed at inflated costs. However, such warnings were ignored, and so the people involved in the scheme managed to steal billions in state funds. Prosecutors further revealed that bribes paid by the region's largest construction group extended to eleven other countries besides Brazil.

In spite of the continued interest among policy practitioners and academics, there are key questions about Lava Jato that remain unanswered. For instance, how did the construction company that led the corruption scheme choose the countries in which to do business? According to the international press, the scheme played a role in the 2014 World Cup, but was corruption also at work in the planning and execution of the 2016 Rio Olympics? Also, what is motivating some of the key actors fighting corruption in Brazil, and what can be done to avoid similar corruption scandals in the future?

To answer these and related questions, the Center on Global Economic Governance (CGEG) at Columbia University's School of International & Public Affairs has collected a series of policy briefs on Lava Jato-related themes. This project is proudly cosponsored by the Center for Development Economics and Policy (CDEP), Columbia Global Center in Rio, and the Latin America Initiative at Rice University's Baker Institute for Public Policy with the goal of shedding light on a complex problem that has affected the lives of millions.

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## Backgrounder on Lava Jato

By Paul Lagunes

Lava Jato or “Operation Car Wash” refers to Latin America’s largest known corruption scheme, which investigators in Brazil began to uncover in March of 2014. Prosecutors in the southern city of Curitiba were looking into the activities of black-market money dealers known locally as *doleiros*.<sup>1</sup> These *doleiros* were using gas and car wash stations to launder money, which is how the scandal got its name. As prosecutors deepened their investigation, they were surprised to find that a particular *doleiro* had links to Paulo Roberto Costa, a high-level executive of Brazil’s state-owned oil company Petrobras.<sup>2</sup>

Thus, what began as a local investigation into money-laundering, found extensive collusion between Petrobras employees and construction companies seeking contracts for public works projects. The oil company’s employees took bribes, while politicians obtained kickbacks. Investigators and prosecutors found that corrupt practices involving Odebrecht, the region’s largest construction group, covered a total of twelve countries—in alphabetical order: Angola, Argentina, Brazil, Colombia, the Dominican Republic, Ecuador, Guatemala, Mexico, Mozambique, Panama,

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<sup>1</sup> Cifuentes, Pedro. "Investigação Na Petrobras Começou Com Um Estranho Presente De Luxo." *El País*, December 1, 2014, sec. Operação Lava Jato. <[https://brasil.elpais.com/brasil/2014/12/01/politica/1417472349\\_354451.html](https://brasil.elpais.com/brasil/2014/12/01/politica/1417472349_354451.html)>.

<sup>2</sup> Ibid.

Peru, and Venezuela.<sup>3</sup> Those involved in the scheme managed to steal billions in state funds, resulting in inflated costs for public works projects at the expense of taxpayers.

Some key questions about Lava Jato remain unanswered. Thus, aiming to address some of the gaps in our knowledge, Professor Jan Svejnar and I launched a project that collects a series of policy briefs. The goal is to inform the discussion about corruption, especially as it affects Brazil and Latin America. This document in particular provides background information about Brazilian politics and about the Lava Jato scandal itself.<sup>4</sup>

## **From Scandal to Scandal**

Brazilians have long had to accept corruption scandals as a chronic part of their government. Graft was present under military rule (1964–85),<sup>5</sup> contrary, perhaps, to the beliefs of those who now hope for the return of authoritarianism.<sup>6</sup> Corruption scandals have also plagued every presidential administration since civil order was reestablished in 1985.<sup>7</sup> A congressional

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<sup>3</sup> Anonymous. "Odebrecht Bribed across Latin America." *Deutsche Welle*, December 23, 2016, sec. Business. <<https://bit.ly/2Abb1YE>>.

<sup>4</sup> Some of the material in this text is drawn from Paul Lagunes and Susan Rose-Ackerman. "Why Brazil Is Winning Its Fight against Corruption." *The Conversation*, February 2, 2016, sec. Economy + Business. <<https://bit.ly/2mUcBXc>>.

<sup>5</sup> Barbara Geddes and Artur Ribeiro Neto. "Institutional Sources of Corruption in Brazil." *Third World Quarterly*, 13.4 (1992): 641-661. <<http://www.tandfonline.com/doi/abs/10.1080/01436599208420302>>.

<sup>6</sup> BBC News. "Brazil: Protesters Storm Congress Seeking Military Rule." *BBC News*, November 17, 2016, sec. Latin America. <<https://bbc.in/2R5d2fy>>.

<sup>7</sup> Matthew M. Taylor and Vinícius C. Buranelli. "Ending up in Pizza: Accountability as a Problem of Institutional Arrangement in Brazil." *Latin American Politics and Society*, 49.1 (2007): 59-87. <[https://www.jstor.org/stable/4490507?seq=1#page\\_scan\\_tab\\_contents](https://www.jstor.org/stable/4490507?seq=1#page_scan_tab_contents)>.

inquiry found endemic corruption in José Sarney's administration (1985–90).<sup>8</sup> Fernando Collor de Mello's term, which began in 1990 with promises of clean government, ended with impeachment in 1992 after the president's own brother accused him of accepting corrupt payoffs.<sup>9</sup> On Itamar Franco's watch (1992–95), the congressional budget committee misappropriated funds.<sup>10</sup> As to Fernando Henrique Cardoso (1995-2003), he faced accusations of congressional vote buying.<sup>11</sup>

While Luiz Inácio "Lula" da Silva was president (2003-2011), Brazil experienced a number of corruption scandals, including those known as such as *Caixa Dois*<sup>12</sup> and *Bingos*.<sup>13</sup> But the most important scandal was the one called *Mensalão*, a scheme in which coalition parties accepted large clandestine monthly payments (*mensalão*) in exchange for their support of Lula's party, known as the Workers Party or PT.<sup>14</sup> News about these illicit payments broke in 2005 when a legislator publicly accused Lula's party of bribing its political allies. As *The Economist* explains:

The money [for the bribes] was said to have come from the public purse via fake advertising contracts signed by state-owned companies with corrupt advertising firms. [...] Overlapping congressional inquiries ended up accusing 18 congressmen

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<sup>8</sup> William R. Long, "Peril for Democracy: Brazil Reels under Tales of Corruption." *Los Angeles Times*, April 26, 1988, sec. Collections. <<https://lat.ms/2xSFBnw>>.

<sup>9</sup> Kurt Weyland. "The Rise and Fall of President Collor and Its Impact on Brazilian Democracy." *Journal of International Studies and World Affairs*, 35.1 (1993): 1-37. <<https://bit.ly/2xIEGa8>>; Aníbal Pérez-Liñán. *Presidential Impeachment and the New Political Instability in Latin America*. Cambridge, MA: Cambridge University Press, 2007; Carlos Pereira, Timothy J. Power, and Eric D. Raile. "Presidentialism, Coalitions, and Accountability." *Corruption and Democracy in Brazil: The Struggle for Accountability*. Eds. Timothy J. Power and Matthew M. Taylor. Notre Dame, Indiana: University of Notre Dame, 2011.

<sup>10</sup> Taylor and Buranelli (2007), 60.

<sup>11</sup> Ibid.

<sup>12</sup> Michael Astor. "Brazilians Shrug Off Corruption Scandals." *The Washington Post*, September 29, 2006, sec. World. <<https://wapo.st/2OgA7xc>>.

<sup>13</sup> BBC News. "Brazil Bingo Staff March over Ban." *BBC News*, March 4, 2004. <<https://bbc.in/2OeFSvj>>.

<sup>14</sup> The Economist. "What Is Brazil's 'Mensalão'?" *The Economist*, November 18, 2013b, sec. Explaining the world, daily. <<https://econ.st/1kdwODK>>.

of involvement in the vote-buying scheme. The biggest name among them was José Dirceu [...], who had been chief of staff to the president, Luiz Inácio Lula da Silva, until forced by the scandal to step down.<sup>15</sup>

The Supreme Court eventually took up the *Mensalão* case, but because of the court's considerable backlog, the trials of more than three dozen politicians did not begin until mid-2012.<sup>16</sup> In the meantime, the PT won two more presidential elections, the first re-electing Lula, and the second Dilma Rousseff in 2010.

Rousseff is an economist and politician who, in her youth, had been imprisoned and tortured by the military dictatorship.<sup>17</sup> She began her tenure by firing over five ministers because they were suspected of corruption.<sup>18</sup> However, these and other actions, such as the enactment of a major government transparency law,<sup>19</sup> were by 2013 seen as insufficient, as Brazil's economic

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<sup>15</sup> Anderson Antunes. "The Cost of Corruption in Brazil Could Be up to \$53 Billion Just This Year Alone." *Forbes*, November 28, 2013, sec. Business & Wealth News from Brazil. <<https://bit.ly/2OhyX4g>>; see also BBC News. "Q&A: Brazil's 'Big Monthly' Corruption Trial." *BBC News*, November 16, 2013, sec. Latin America. <<https://bbc.in/1WkzN9Q>>.

<sup>16</sup> Andrew Downie. "Brazil Targets Corruption in 'Trial of the Century'." *The Christian Science Monitor*, August 15, 2012. <<https://bit.ly/2DzkH2J>>.

<sup>17</sup> Simon Romero. "Leader's Torture in the '70s Stirs Ghosts in Brazil." *The New York Times*, August 4, 2012, sec. Americas. <<https://nyti.ms/1fdR2YC>>.

<sup>18</sup> Juan Forero. "In Her First Year, Brazilian President Dilma Rousseff Cleans House." *The Washington Post*, December 14, 2011, sec. World. <<https://wapo.st/2xSPD83>>.

<sup>19</sup> "Brazil". Online, freedominfo.org. September 27, 2018. <<https://bit.ly/2zAwsIO>>.

outlook worsened.<sup>20</sup> Crowds took to the streets to protest corruption,<sup>21</sup> and in particular the billions spent on new football stadiums for the 2014 World Cup, among other issues.<sup>22</sup>

Soon after the demonstrations, Rousseff stood for reelection in 2014; her margin of victory was the narrowest in modern Brazilian history.<sup>23</sup> Against this backdrop of growing economic and political anger and anxiety, the largest corruption scandal in the country's history unfolded.

### **The Petrobras Scandal and Lava Jato**

Petróleo Brasileiro S.A., known as Petrobras, is Brazil's semi-public national oil company. Its contracts run into the billions of dollars annually.<sup>24</sup> Looking to access this treasure trove, over a decade ago Odebrecht S.A. and other Brazilian construction firms colluded to ensure that Petrobras awarded them inflated contracts.<sup>25</sup>

About three percent of the money from the contracts was paid as bribes, mainly to top-level Petrobras employees in order to ensure that the company allotted business to companies in

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<sup>20</sup> The Economist. "Brazilian Waxing and Waning." *The Economist*, April 18, 2016, sec. Economic Backgrounder. <<https://econ.st/2xTM1Tk>>.

<sup>21</sup> BBC News. "Brazil Unrest: 'Million' Join Protests in 100 Cities." *BBC News*, June 21, 2013, sec. Latin America. <<https://bbc.in/2xWRLf2>>.

<sup>22</sup> Jonathan Watts. "Brazil Erupts in Protest: More Than a Million on the Streets." *The Guardian*, June 21, 2013, sec. Americas. <<https://bit.ly/2zkwuLu>>.

<sup>23</sup> "Diehard Dilma." *The Economist*, November 1, 2014, sec. Leaders. <<https://econ.st/2DzPmgp>>.

<sup>24</sup> Esther Fuentes. *Understanding the Petrobras Scandal*. Washington, D.C.: Council on Hemispheric Affairs, 2016. <<https://bit.ly/2bNo4Ct>>.

<sup>25</sup> Michael Smith, Sabrina Valle, and Blake Schmidt. "The Betrayal of Brazil". Online, 2015. *Bloomberg*. (May 8, 2015). <<https://bloom.bg/2IngAFR>>.

the cartel.<sup>26</sup> Politicians got kickbacks in the form of personal gifts and campaign donations.<sup>27</sup> Bribes flowed through a complex network of offshore accounts<sup>28</sup> and black-market financial operators.<sup>29</sup> One of the contracts processed through the shady scheme involved the construction of the Arena Corinthians soccer stadium, a finding that seemed to vindicate the protests that had preceded the World Cup.<sup>30</sup>

The scheme might have continued unhindered, if not for the investigation that became known as Lava Jato or “Operation Car Wash,” run by Brazil’s *Ministerio Público Federal* (MPF, the Federal Prosecutors’ Office).<sup>31</sup> Federal Prosecutors, along with the Federal Police, the Federal Court of Accounts, and the Office of the Comptroller General, play a central role in the country’s system of accountability.<sup>32</sup> Their agency enjoys significant institutional autonomy to investigate and prosecute corruption.<sup>33</sup>

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<sup>26</sup> Joe Leahy. "Petrobras Scandal Adds Fuel to Brazil’s Fiery Election Campaign." *Financial Times*, October 15, 2014, sec. Americas Politics & Policy. <<https://on.ft.com/2xWV7yE>>.

<sup>27</sup> David Segal. "Petrobras Oil Scandal Leaves Brazilians Lamenting a Lost Dream." *The New York Times*, August 7, 2015, sec. International Business. <<https://nyti.ms/2QdmRXl>>.

<sup>28</sup> Romina Mella and Gustavo Gorriti. "How Brazil’s Odebrecht Laundered Bribe Money". Online, 2016. *Analysis*. (March 30): InSight Crime. September 26, 2018. <<https://bit.ly/2N4D9jj>>.

<sup>29</sup> Adriana Justi and Bibiana Dionísio. "Justiça Federal Condena Marcelo Odebrecht Em Ação Da Lava Jato." *GI*, March 3, 2016. <<https://glo.bo/1R59mrD>>.

<sup>30</sup> Caroline Stauffer and Guillermo Parra-Bernal. "Odebrecht Cooperates with Brazil Probe after Bribe Scheme Exposed." *Reuters*, March 22, 2016, sec. Business News. <<https://reut.rs/2IjXO22>>.

<sup>31</sup> Jonathan Watts. "Operation Car Wash: Is This the Biggest Corruption Scandal in History?". *The Guardian*, June 1, 2017, sec. The long read. <<https://bit.ly/2rX4Q72>>.

<sup>32</sup> Ana Luiza Aranha. "Corruption and the Web of Accountability Institutions in Brazil." Online: Universidade Federal de Minas Gerais, 2014. 35. <<https://bit.ly/2Dir5ES>>.

<sup>33</sup> Zack Beauchamp. "Brazil’s Petrobras Scandal, Explained." *Vox*, March 18, 2016, sec. Explainers. <<https://bit.ly/2CUycZC>>.



In 2014, prosecutors decided to deepen an ongoing investigation when they discovered that a particular *doleiro* or black-market dealer named Alberto Youssef had given Paulo Roberto Costa of Petrobras a luxury SUV.<sup>34</sup> The arrest of both Youssef and Costa began the process of uncovering an intricate corruption network involving managers, businesses, politicians, and *doleiros*.<sup>35</sup> *Petrobras* executives, usually appointed by the political parties in the governing coalition, would share inside information with Brazil's largest contractors, including Odebrecht.<sup>36</sup>

In his plea-bargain testimony, the then-CEO of Odebrecht finally admitted to prosecutors that the construction company had an entire department dedicated to bribery.<sup>37</sup> The department was known as the Division of Structured Operations, and it helped fund the elections of a half-dozen presidents in Latin America.<sup>38</sup> It also helped influence heads of state in Peru and Venezuela, as well as legislators across the region.<sup>39</sup> All told, Structured Operations paid nearly 800 million dollars in bribes so as to secure government contracts worth over three billion dollars in profit for the company.<sup>40</sup>

Now, Federal Prosecutors in Brazil cannot sanction wrongdoers: this is the responsibility of Brazil's Judiciary. Historically, however, revelations of corruption have not always resulted in

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<sup>34</sup> Reuters. "Former Petrobras Executive Costa Convicted in Corruption Case." *Reuters*, April 22, 2015, sec. Bonds News. <<https://reut.rs/2pYmXqB>>; see also Redação. "Nota Fiscal Confirma Que Doleiro Pagou R\$ 250 Mil Em Range Rover Para Ex-Diretor Da Petrobrás." *Estadão* April 8, 2014, sec. Política. <<https://bit.ly/2ypp8bv>>.

<sup>35</sup> Parreira, Marcelo. "The "Car Wash" Crisis." Unpublished Work: School of International & Public Affairs at Columbia University, 2016. 8.

<sup>36</sup> *Ibid.*

<sup>37</sup> Pressly, Linda. "'The Largest Foreign Bribery Case in History'." *BBC News*, April 22, 2018, sec. Business.

<sup>38</sup> Smith, Michael, Sabrina Valle, and Schmidt Blake. "No One Has Ever Made a Corruption Machine Like This One." *Bloomberg Businessweek*, June 8, 2017. <<https://bloom.bg/2s6M11N>>.

<sup>39</sup> *Ibid.*

<sup>40</sup> *Ibid.*

punishment for the corrupt.<sup>41</sup> With Operation Car Wash this changed significantly. Federal and Supreme Court judges have examined extensive evidence, much of it obtained from subpoenaed bank records and from politicians and business people who, arrested on suspicion of corruption, agreed to testify in exchange for leniency. Members of the country's elite found themselves arrested, charged, and jailed.

Among those sent to prison was Marcelo Odebrecht, the ex-CEO of Latin America's largest construction group;<sup>42</sup> José Dirceu, a former revolutionary who had been Lula's chief of staff;<sup>43</sup> Eduardo Cunha, a conservative politician who was speaker of the lower house of the Brazilian Congress;<sup>44</sup> and even former President Lula himself.<sup>45</sup>

Sergio Moro is the judge who has overseen the Lava Jato prosecution.<sup>46</sup> Many have celebrated Moro's willingness to pursue members of the country's elite.<sup>47</sup> Some have even suggested that his actions will attract investors who prefer countries with reliable institutions.<sup>48</sup>

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<sup>41</sup> Lindsey D. Carson and Mariana Mota Prado. "Using Institutional Multiplicity to Address Corruption as a Collective Action Problem: Lessons from the Brazilian Case." *The Quarterly Review of Economics and Finance*, 62 (2016): 56-65. <<https://bit.ly/2zAm6lX>>.

<sup>42</sup> Marla Dickerson, Luciana Magalhaes, and Jeffrey T. Lewis. "Odebrecht Ex-CEO Sentenced to 19 Years in Prison in Petrobras Scandal." *The Wall Street Journal*, March 8, 2016, sec. World. <<https://on.wsj.com/2NLD2ON>>.

<sup>43</sup> Reuters in São Paulo. "Former Brazil Presidential Chief of Staff Sentenced to 23 Years for Corruption." *The Guardian*, May 18, 2016, sec. Brazil. <<https://bit.ly/1V9uEF3>>.

<sup>44</sup> Dom Phillips. "Eduardo Cunha, Who Led Impeachment Drive against Rival in Brazil, Gets a 15-Year Jail Term." *The New York Times*, March 30, 2017, sec. Americas. <<https://nyti.ms/2mUmw1L>>.

<sup>45</sup> Ernesto Londoño and Shasta Darlington. "Lula, Brazil's Ex-President, Can Be Jailed, Court Rules." *The New York Times*, April 4, 2018, sec. Americas. <<https://nyti.ms/2Ivad20>>.

<sup>46</sup> BBC News. "Sergio Moro: Herói Anticorrupção Ou Incendiário?". *BBC News*, March 18, 2016, sec. Brasil. <<https://bbc.in/2OVm3Gy>>.

<sup>47</sup> Celso Barros. "The Twilight of Brazil's Anti-Corruption Movement." *The Atlantic*, July 28, 2017, sec. Global. <<https://bit.ly/2Qcehbm>>.

<sup>48</sup> Marcos Troyjo. "Brazil's Fight against Corruption Sets a Good Example to the World." *Financial Times*, August 17, 2017, sec. Opinion. <<https://on.ft.com/2QWmFf>>.

Ribbons in Brazil's national colors have reportedly been displayed around the courthouse where Moro officiates as an expression of approval.<sup>49</sup>

But not everyone supports Judge Moro. Some express due-process concerns.<sup>50</sup> There are also those who question Moro's impartiality, by pointing to the investigation's focus on the PT and other left-leaning political parties.<sup>51</sup> However, Moro insists that the prosecutions have simply followed the evidence.<sup>52</sup> In fact, the evidence has pulled into court prominent conservative political leaders as well.<sup>53</sup> Higher courts have upheld many of his rulings and his use of harsh tactics, such as pre-trial detention of suspects.<sup>54</sup>

## **The Impact of the Lava Jato Scandal**

There is much controversy surrounding Lava Jato. A delegation representing the Latin American Studies Association (LASA), a professional organization of scholars who study Latin America, argued that the impeachment procedures against then-president Dilma Rousseff

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<sup>49</sup> David Segal. "Petrobras Oil Scandal Leaves Brazilians Lamenting a Lost Dream." *The New York Times*, August 7, 2015, sec. International Business. <<https://nyti.ms/2QdmRXI>>.

<sup>50</sup> Mat Tromme. "Brazil Must Fight Corruption, but Preserve the Rule of Law". March 10, 2016: Global Anticorruption Blog. March 10, 2016. <<https://bit.ly/2DzZwh9>>.

<sup>51</sup> Rogério Cezar De Cerqueira Leite. "Desvendando Moro." *Folha de S. Paulo*, October 14, 2016, sec. Opinião. <<https://bit.ly/2OaC8en>>.

<sup>52</sup> Redação. "Now Eua, Sergio Moro Explica Por Que Não Julga Políticos Do PSDB." *Pragmatismo Político*, August 3, 2016, sec. Corrupção. <<https://bit.ly/2OS6eAb>>.

<sup>53</sup> Pearson, Samantha, and Paulo Trevisani. "Brazil Supreme Court Approves Trial for Prominent Center-Right Politician." *The Wall Street Journal*, April 17, 2018, sec. Latin America. <<https://on.wsj.com/2OoOjUQ>>.

<sup>54</sup> Brian Winter. "Brazil's 'Car Wash' Probe: Tell Me How This Ends." *Americas Quarterly*, September 28, 2016. <<https://bit.ly/2OYXJ6I>>.

represented an attack against democracy.<sup>55</sup> Opinion pieces published in *The New York Times*<sup>56</sup> and *The New Yorker*<sup>57</sup> have expressed concern that Lula's recent imprisonment could represent political vendetta. Some see injustice in the way that Rousseff's unpopular successor, Michel Temer, avoided standing trial on obstruction of justice and corruption charges, by securing support among Brazilian lawmakers.<sup>58</sup> Temer secured lawmakers' support by allocating local projects and positions in government, as well by issuing favorable decrees.<sup>59</sup> Anger about corruption appears to have fueled political support for the presidential candidacy of Jair Bolsonaro, a military veteran and right-wing populist whose disparaging comments against gays, women, and blacks when he was in Congress won him notoriety.<sup>60</sup>

Notwithstanding such criticisms, the vast majority of Brazilians believe that the Lava Jato investigations should continue.<sup>61</sup> Even the LASA delegation suggested that the corruption being uncovered by Brazilian investigators was *real and serious*.<sup>62</sup> Based on the strength of the evidence, the United States Department of Justice, in collaboration with Brazilian and Swiss authorities,

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<sup>55</sup> Sidney Chalhoub, et al. *Report of the LASA Fact-Finding Delegation on the Impeachment of Brazilian President Dilma Rousseff*. Online: Latin American Studies Association (LASA), 2017. <<https://bit.ly/2tHwoLj>>.

<sup>56</sup> Jorge G. Castañeda. "Why Lula Should Be Allowed to Run for President." *The New York Times*, August 21, 2018, sec. Opinion. <<https://nyti.ms/2wqxqRg>>.

<sup>57</sup> Jon Lee Anderson. "Lula Falls, and Brazilian Democracy Looks Shakier." *The New Yorker*, April 10, 2018, sec. Daily Comment. <<https://bit.ly/2Hf8Mru>>.

<sup>58</sup> Ernesto Londoño and Shasta Darlington. "Lula, Brazil's Ex-President, Can Be Jailed, Court Rules." *The New York Times*, April 4, 2018, sec. Americas. <<https://nyti.ms/2zJNH0V>>.

<sup>59</sup> Associated Press. "Michel Temer, Brazil's Unpopular President, Avoids Corruption Trial." *The Guardian*, October 26, 2017, sec. Brazil. <<https://bit.ly/2qVe9lr>>.

<sup>60</sup> Joe Leahy and Andres Schipani. "Jair Bolsonaro Draws in Brazil Populists Despite Contradictions." *The Financial Times*, September 17, 2018, sec. Brazil. <<https://on.ft.com/2IrES1q>>; The Economist. "Jair Bolsonaro, Latin America's Latest Menace." *The Economist*, September 20, 2018, sec. Leaders. <<https://econ.st/2NrqrB5>>.

<sup>61</sup> Felipe Bächtold. "Para 84% Dos Brasileiros, Lava Jato Deve Continuar; 12% Defendem Término." *Folha de S. Paulo*, April 17, 2018. <<https://bit.ly/2ETg538>>.

<sup>62</sup> Sidney Chalhoub, et al. (2017), 10.

imposed a multi-billion dollar fine on Odebrecht.<sup>63</sup> Eighty percent of that amount will be returned to Brazil.<sup>64</sup>

Still, in spite of the prosecutorial success of Lava Jato, it remains to be seen whether Brazil will achieve sustained improvements to its level of governance. Lowering the level of corruption is clearly a difficult endeavor that, if achieved, will ensure a better standard of living for Brazilians in general.

In this sense, honest governance is a public good: that one law-abiding citizen enjoys the advantages of an accountable government does not in any way diminish another law-abiding citizen's ability to enjoy the same benefits. But because honest governance is a public good, a majority of individuals in a society may prefer to free ride on the singular efforts of anticorruption advocates. It follows, then, that moving Brazil to a lower corruption equilibrium requires solving a major collective action problem.

However, achieving collective action to fight corruption is made difficult by the feelings of shared resignation that often follow scandal. Indeed, the unceasing revelations of corruption may make people feel disheartened. Our hope is that, by studying the problem, knowledge will help replace the sense of loss with a new sense of purpose and direction. Brazilians deserve a democratic government that has corruption under control.

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<sup>63</sup> DOJ. "Odebrecht and Braskem Plead Guilty and Agree to Pay at Least \$3.5 Billion in Global Penalties to Resolve Largest Foreign Bribery Case in History." Department of Justice, 2016. <<https://bit.ly/2icnvr5>>.

<sup>64</sup> Ibid.