

NOTES ON THE BRAZILIAN 2006 PRESIDENTIAL ELECTIONS:

The Winding Road
to Democratic Consolidation

Lucio Renno¹

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Este artículo describe las principales características de las elecciones presidenciales de 2006 en Brasil. El artículo explora las dos características definitorias de esta elección: la interrelación entre cómo el voto económico retrospectivo y las visiones sobre la corrupción afectaron la volatilidad del voto y el resultado final de la elección. El artículo concluye señalando las implicaciones de las elecciones para el fortalecimiento de la democracia brasilera.

Palabras clave: Brasil, elecciones presidenciales, voto económica retrospectivo, corrupción

The paper describes the main characteristics of the 2006 Brazilian Presidential elections. It explores two defining traits of this elections: the interplay between how retrospective economic voting and views towards corruption affected vote volatility and the final result of the election. The paper concludes by pointing out implications of the current elections to the strengthening of democracy in Brazil.

Key words: Brazil, presidential elections, retrospective economic voting, corruption

Introduction

The goal of this paper is to describe the 2006 Brazilian presidential elections: their dynamics and defining traits. It is written in “real time” given that the final version was finished a few days after the second round of the presidential elections that took place on October 29th, 2006. The article postulates some hypotheses that could be tested in the future, once appropriate data have been collected. Therefore, the goal is necessarily modest: to discuss the main puzzles of this election and to propose answers that should be tested empirically in the near future.

In the following section, I pose the campaign’s main puzzle and narrate the events that preceded it. I then propose a few key factors that make this campaign relevant for Brazilian history

and hypotheses that might offer answers to the puzzle. I finally conclude by speculating on this election’s broader implications for the process of strengthening Brazilian democracy. The main puzzle of this election is how could a presidential candidate running for reelection, tainted by involvement in several corruption scandals, emerge. The answer to this question is related mostly to the campaign rhetoric the two major candidates utilized, along with characteristics of this election that produced a context favorable for retrospective voting.

1. The Election Events

Until the last week of September, the 2006 Brazilian elections, were uneventful, even monotonous. It was a campaign marked by Lula da Silva’s, the Workers’ Party (PT) candidate for reelection, comfortable lead in the polls,

1 Associate Professor at Centro de Pesquisa e Pós Graduação sobre as Américas at the University of Brasilia

which reached its highpoint in early September, with a margin of 20 percentage points over the runner-up, Geraldo Alckmin, of the Brazilian Social Democratic Party (PSDB) coalition. No other candidate had a chance. It was basically a one-man race for most of the campaign.

The general feeling was that Lula was going to win in the first round, on October 1st, with a large margin over all other candidates, and the expectation was that negotiations would swiftly ensue regarding the construction of a new governing coalition. Next, the months of November and December would then be marked by discussions regarding an ambitious reform agenda that would include changes in the tax system, labor laws, and even significant changes in the political system that would be implemented during the first year of Lula's second term. Reality proved to be different. If only Brazilian elections were so predictable.

This very likely scenario was shattered by an unexpected event that occurred about a week prior to the first round of the election. Two members of the PT campaign coordination committee were arrested in Sao Paulo with a little under US\$1 million of unaccounted money and they were accused of trying to buy incriminating information about the leading Sao Paulo candidate for governor, Jose Serra, of the Brazilian Social Democratic Party (PSDB) coalition. Initially, the PT campaign did not react to the matter and assumed the event would not attract media attention and therefore would not become a scan-

dal, given that it involved the opposition party and could harm both sides. Such reasoning proved to be nothing but wishful thinking. The event gained tremendous media prominence, resulted in the opening of judicial procedures against the Workers' Party in the Supreme Electoral Court and forcefully reminded voters of the previous scandals that marked the PT administration at the federal level. The "dossier" scandal, as it was dubbed, was similar to other scandals in that President Lula's closest aids were involved in it, but Lula himself claimed he knew nothing of the matter. The scandal cost the PT a victory in the first round.

The October 1st election results confirmed the unexpected: Lula received 48% of the valid votes, failing to win the required 50% of the vote necessary for victory in the first round. The other surprise was that Alckmin obtained 41% of the votes, considerably more than most pollsters expected, falling on the extreme upper edge of the margin of error in vote intention polls. Not only was there going to be a second round, but it would be a very competitive with an unpredictable outcome. Excitement finally returned to the Brazilian electoral campaign.

Not really. Again, Brazilian electoral politics proved to be mischievous. The second round campaign was also a surprise. The first campaign event was a debate between the two candidates, the first in which a Brazilian president attempting reelection participated². Alckmin assumed a very aggressive stance against an unprepared Lula, who

2 Recall, Fernando Henrique Cardoso, in his successful 1998 reelection bid, never attended a debate.

was reading numbers from notes and who failed to provide straight answers. Still, Lula is a very sensitive politician, and even though he did not fare as well as Alckmin, he appeared honest and fast on his feet on some occasions. Furthermore, he provided a justification for the corruption scandals. Lula claimed that whenever he discovered some wrongdoing by his allies, he immediately took punitive action against them. He also claimed he was never directly involved in any of the scandals.

When the first polls after the debate were released, Datafolha revealed that 43% of the respondents maintained that Alckmin had won the debate, against 41% who thought Lula had the advantage. But, surprisingly, Lula's lead over Alckmin increased to 14 percentage points: Lula received 56% of the valid responses against 42% for Alckmin. This lead increased during the remainder of the campaign, reaching to about 20 points during the last few days prior to the second round run-off. Alckmin actually saw his vote intentions decrease to 38% of the valid responses, fewer than the percentage of valid votes he received in the first round! The October 29th run-off elections confirmed these results, with Lula registering 60% of the valid votes against 39% for Alckmin's.

This paper will propose tentative answers to these alterations in vote intention and in the actual election results, exploring both candidates' campaign strategies and rhetoric. As we go about narrating the events, four central aspects of this campaign will emerge.

First, and unfortunately, corruption accusations regained central stage in Brazilian national politics, damaging the recent advances towards the strengthening and deepening of democracy in Brazil. Second, the top two candidates' campaign strategies and rhetoric were central in explaining the surprising electoral results. The 2006 elections confirm how negative ads are decisive campaign tools, and how they are able to change Brazilian electoral results. However, exaggerated negative ads can harm those promote them. Third, this campaign was unique in Brazil because for the first time voters could contrast the performance at the federal level of the two most prominent political forces in Brazil, the PT and the PSDB. The PSDB coalition governed Brazil from 1994 to 2002, with two consecutive Fernando Henrique Cardoso terms and the PT as the leading opposition party. The 2002 PT victory was fundamental for the consolidation of democracy in Brazil because it initiated a process of alternation in power, offering a political group that had never ascended to the central government such opportunity. Therefore, in this year's election, voters could look back and compare the two previous administrations. Voters had never had the chance of doing this in Brazilian history at the federal level³. In fact, Lula's campaign strategy was very much based on comparisons with the Cardoso administration.

Looking back and contrasting the performance of distinct political parties in power is in the essence of retrospective voting, which is seen as

3 At the municipal and state levels, voters had already been able to make such comparisons. For an enlightening analysis of one such occasion at the state level, see Soares (2000).

the normal type of vote calculation in democratic regimes (Stokes 2001). Given that a good part of this election was about comparing the distinct administrations, it shows that Brazilian democracy has come a long way in its process of maturation. If not tarnished by the several corruption scandals, even during the campaign itself, this election would have been a celebration of the consolidation of democratic governance in Brazil.

The fourth and final point is that this campaign had no significant impact on economic indicators. In comparison to 2002 when there was a run against the currency, an increase in risk investment, and rising inflation, the 2006 campaign produced no economic turbulence (Spanakos and Renno 2006). The sea of tranquility in the economic sphere, despite a contested election, is yet another indication that elections have become “normalized” in Brazil; they no longer are exceptional moments of uncertainty. This relates to the clarity of candidates’ campaign positions and the fact that the two principal candidates proved to be responsible in the management of the economy, as well as “market friendly”.

The conjunction of all of these factors is fundamental to provide a tentative answer to the key puzzle of the 2006 election: how can a candidate for reelection, whose administration and campaign were marked by recurrent corruption accusations, emerge victorious?

2. The Campaign Dilemma: Corruption versus Achievement

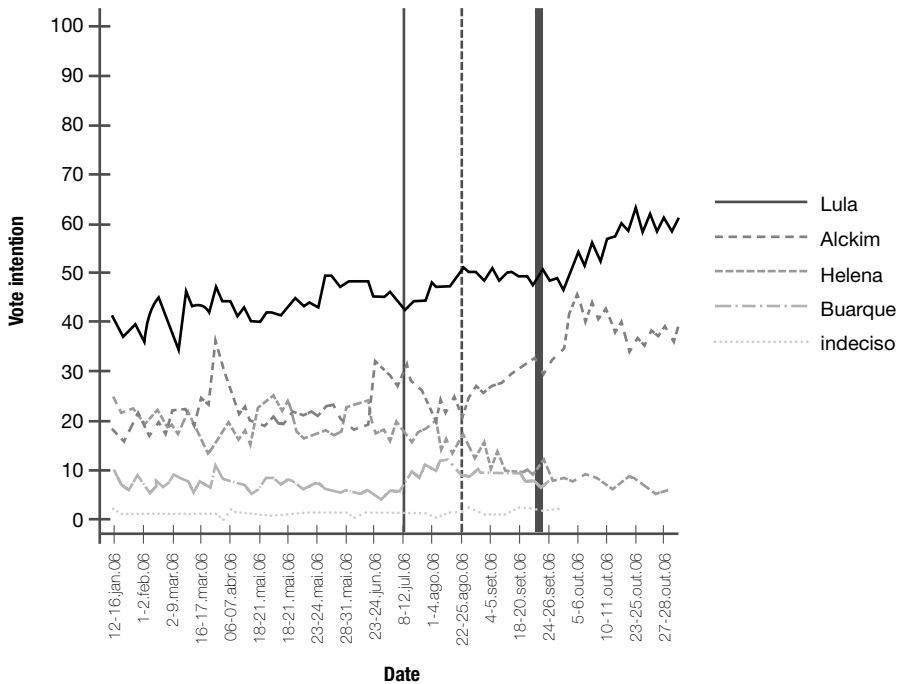
Figure 1 below shows the percentage of vote intentions for all candidates during the 2006 elections, tracking the most important moments of the electoral schedule: the formal beginning of the campaign is identified by the first solid line, the beginning of the Free Electoral Airtime with the dotted line and the first round election with the solid, thicker line⁴. It contains data from the top four polling firms in Brazil.

First, this was a one-man race for most of the campaign. Lula assumed an early lead and was never really threatened until the end of the first round. Only Alckmin was a viable contender. Heloisa Helena, from the radical PSOL and its left-wing coalition, had her moment right after the formal beginning of the campaign, but because she did not have enough funds to mount a viable campaign, and therefore was not able to profit from her initial upsurge in the polls.

Clearly, Lula had an easy and enjoyable ride during most of the campaign with a comfortable lead over his adversaries. Around mid-September, when the “Dossier” scandal hit the fan, the media reminded voters of the recurrent scandals that haunted the PT administration, and Alckmin began to gain ground. Even though his vote intentions increased noticeably with his appearances in the Free Electoral Airtime (see the dotted line in the figure below). Still, Lula’s support remained relatively stable, even though he failed to receive enough votes to win in the first round.

⁴ The Free Electoral Airtime is the only period in the campaign where political ads are allowed in the television and radio. Twice a day, for 40 minutes all candidates have access to air their ads. Minutes are allocated according to the size of the candidates’ coalitions in Congress.

Figura 1. Percentage of vote intention in the Brazilian presidential elections of 2006 for all candidates and all polling institutes. The data were obtained from <http://noticias.uol.com.br/fernandorodrigues/arquivos/eleicoes/2006/> and include polls from Datafolha, Sensus, Ipoibe, Vox Populi and IBPS. The first reference line marks the formal beginning of the first round campaign and the second one the first round election.



A. The Corruption Scandals

The “dossier” scandal clearly defined Lula’s bad luck in the first round. But what was the scandal about and why was it so devastating for Lula’s prospects of victory in the first round? The scandal involved close Lula aides in a scheme to buy information that would incriminate Jose Serra, the then PSDB candidate for the governorship of Sao Paulo. Serra had a comfortable lead in the polls and was going to win in São Paulo. The eruption of the scandal only consolidated his chances and directly harmed the PT

candidate and Lula’s key economic advisor, Aloisio Mercadante. The alleged dossier linked Serra, a former Minister of Health in the Cardoso administration, to the “bloodsuckers” scandal, which involved the selling of overpriced ambulances to municipal governments using federal deputies individual budgetary amendments. This “bloodsucker” scheme was based on the payment of bribes to mayors and federal deputies so that they would buy their equipment. The documents that were part of the “dossier” scandal in the current campaign indica-

ted that the scheme had started during Serra's mandate as Minister of Health.

Investigations of both scandals are still underway, so it could be that even after the election more details may become public. In fact, the PSDB coalition repeatedly made it clear during the campaign that this will remain a key issue next year, endangering any possibility of negotiation between the two camps. This event could even lead to impeachment petitions against Lula if it is proven that he knew or participated in the scandals.

Still, the "dossier" scandal during the campaign reminded voters about an even earlier scandal: the "mensalao" scandal. In June, 2005, a close supporter of the Lula government, Roberto Jefferson of the Brazilian Labor Party (PTB) from Rio de Janeiro, was accused of organizing a bribery scheme in the postal service. He retaliated by denouncing the Lula government for buying the allies in order to obtain their support for the government's proposals in Congress. In Portuguese, Mensalao means the "big stipend". The claim was that the Lula government, using private organizations that benefited from public contracts, paid a monthly stipend to members of right-wing parties in his coalition to guarantee their favorable votes for the government's legislative proposals.

According to Jefferson, Lula's chief of staff, and then the government's strongman, Jose Dirceu, spearheaded the scheme. President Lula finally fired Dirceu, and then he was expelled from Congress. Lula claimed he knew nothing about the scandal. Several other close aides to Lula, including the then President of the PT, Jose Genuino, were also involved and had to step down.

In essence, because of the repeated scandals that plagued the PT administration, Lula lost most of his very close allies during his administration. For different reasons, Antonio Palocci, the Minister of Finance, Jose Gushiken, head of the government's Communication Department, Waldomiro Diniz, a chief coordinator of Executive-Legislative relations, Ricardo Berzoini, the President of the PT and Lula's 2006 campaign coordinator, all fell in disgrace, just to mention the most prominent ones. Scandal after scandal, the PT's top echelon was devastated by involvement in corruption scandals.

In sum, the "dossier" scandal was so influential in the first round of the election because it brought to mind all of the past scandals of Lula's government. In addition, the opposition took advantage of this situation by amply using the scandals in their attack ads against Lula. The negative campaign that Alckmin orchestrated against Lula was decisive in amplifying the impact of the scandals. Alckmin and his campaign strategists made sure to increase the visibility of the corruption scandals in denigrating the image of the government.

In fact, Alckmin's vote intentions only mounted when his campaign adopted a more critical view of the government's behavior regarding corruption. Early in the campaign, Alckmin adopted a more positive tone, talking about his achievements as governor of Sao Paulo, and emphasizing his political trajectory. This was his strategy during the first two weeks of campaign, but the results were unimpressive. Lula also assumed the same strategy, and the result was an increase in his vote intentions in July and August. Alckmin wasted too much time on this faulty strategy, allowing Lula to

calmly navigate through the election. Only when the “dossier” scandal was uncovered did the gap between him and Alckmin decrease rapidly. Because Alckmin placed the corruption accusations center stage, Lula failed to win in the first round.

Alckmin’s surprise up-surge during the last few days of the first round and his astounding 41% of the valid votes (over 40 million votes) gave his campaign momentum and energy. On the other hand, the fact that Lula did not win in the first round came as a defeat for the Lula camp. What one expected was that Alckmin’s popularity would continue to mount, and the second round would be a close and unpredictable race. Why did this not happen?

B. Campaign Events and Rhetoric

Campaign events and well crafted political advertisements matter in Brazilian elections. Given the vote intention volatility that exists in Brazil and the fact that voters’ partisan preferences are only moderately crystallized, campaign events can make a significant difference in election outcomes (Baker, Ames, and Renno 2006). Lula did not participate in any of the two first round debates, including the final one a couple of days before the election. Some analysts and Lula himself later said he regretted not appearing at them. Some speculated that appearing in the final debate might have enabled him to win in the first round.

The above statement is questionable. The overall the indication is that Lula’s participation in the four second round debates was very favorable for him. The first debate of the second round was decisive for the election. Alckmin came out strong and very aggressive. At first, Lula was astounded

by Alckmin’s performance and it took him time to recover. Toward the end of the debate, members of the PSDB coalition, already excited with the results of the first round, were celebrating Alckmin’s performance and talking about victory in the second round.

This was until the first polls after the debate came out showing that Lula’s margin of victory had increased tremendously. The polls were questioned, but the final result of the election confirmed Lula’s lead. What explains this impressive come-back? More than that, the obvious question that comes to mind, which is the central puzzle of the 2006 elections, is how could the PT, involved up to its neck in so many accusations of corruption, manage to win the presidential election, have allies win the governorship in 19 of the 27 states and return to the 53rd legislature as the second largest party in the Chamber of Deputies?

The answer lies in the very effective PT campaign strategy. Lula and the PT, especially in the second round, controlled the campaign agenda. Even though Lula was put on the defensive with the corruption accusations, his campaign counterattacked by showing Lula as a true representative of the poor and by stressing key PSDP issues, such as privatizations, in the electoral debate.

First, Lula had an advantage, namely his personal life-story. Lula led the life that most Brazilians currently lead. He sounds believable when he claims to be part of the Brazilian majority of excluded citizens who understands their demands. He also sounds believable when he says he will always prioritize the poor. His personal life makes his statements credible. The Alckmin campaign’s first mistake was to portray him as candidate of the people.

Instead of running on his last name, which is foreign and not as popularly appealing as Lula da Silva, he utilized his first name in the campaign, Geraldo. This was a clear attempt to portray Alckmin as a representative of the underclass. Obviously, it sounded false.

A second trick the Lula campaign used involved restoring to the agenda the discussion about privatizations. Lula, in his second round campaign ads, forcefully made the point that Alckmin's victory would represent a return to the era of privatizations that dominated the Cardoso administration. Even though this is no longer a practical issue in Brazil because there simply are not that many state enterprises that can be privatized, the issue constitutes a significant cleavage among voters. Alckmin was placed on the defensive for most of the second round as he sought to convince voters that he would not privatize any of the few remaining state-owned businesses.

A third aspect that favored Lula in the second round was the debates. As mentioned previously, Alckmin appeared very aggressive in the first debate. Lula responded to most questions, but he certainly played the card of being wrongly accused. He pleaded innocence to all the scandals and affirmed that he punished those involved. The facts corroborate Lula's version. What seems to have happened is that Alckmin was excessively hostile and belligerent in the first debate. He sounded artificial in some ways, given that he has a reputation for supporting a docile temper. Hence, his accusations against Lula apparently back fired. Instead of damaging Lula, it hurt Alckmin.

Once the following debates came around, Lula returned to his old self, and clearly had the lead in discussing the central topics and in sounding

convincing and on-top of the issues. His political ads in the Free Electoral Airtime were also crucial to his electoral success. Lula's campaign stressed the achievements of his government and contrasted them with the prior two administrations of Fernando Henrique Cardoso and the PSDB coalition.

C. *Contrasting two Distinct Administrations*

As was noted earlier, a defining trait of this campaign was that, for the first time, voters could contrast the administrations of two rival parties/coalitions and cast their votes based upon this comparison. In this election voters had an opportunity to look back and ask themselves which of the two major political groups in Brazil had produced more for them in a classic retrospective voting style. Lula's campaign took full advantage of this situation and directed its efforts toward comparing policy results between the two administrations, the current PT government and Cardoso's previous two terms. The results of those comparisons clearly favored Lula on issues such as employment, education, health and investment in social assistance programs. In fact, the Lula campaign stressed this last issue. The PSDB coalition failed to respond to Lula's comparison of the two administrations' policy achievements. Their only issue was the corruption accusations. Given that Lula completely controlled the second round of the election, and effectively reversed the growth spree of Alckmin, voters placed more importance on Lula's accomplishments in the social and economic realms than his errors in the ethical/corruption scandals. The dilemma of this campaign was resolved in favor of achievements and, therefore, benefited Lula.

D. It's the Economy, Stupid!

A final aspect of the campaign further benefited Lula: This time around, the markets did not react negatively to the campaign. In 2002, Spanakos and Renno (2006) show that the runs against the currency, the dramatic increase in the risk of investment in Brazil, the downfall of the stock market and the increase in the exchange rate were clearly related to the campaign and the uncertainty it was causing for investors. In 2002, Lula was still an incognita for the financial markets and investors. His rhetoric was not clear and favored change and the PT history was one of opposition to macro-economic stability. Even Jose Serra, the then PSDB/PMDB candidate for president, talked about changing the economic model and promoting growth in spite of inflation control. Spanakos and Renno claimed that this situation created a disjunction of preferences between voters who supported Lula and his pro-growth rhetoric and investors who preferred a more conservative discourse, aimed at macro-economic stability. This preference incongruence created the economic turbulence in 2002.

In 2006, nothing similar happened. Lula was no longer a stranger and enemy of the financial markets. His fiscal and monetary policies were quite conservative throughout his administration and the economic indicators revealed this: very low inflation, very low risk of investment in the country and very stable exchange rates, each anchored in high interest rates. The figure below contrasts economic indicators in the 2002 and 2006 elections by placing dotted lines at the beginning of the campaigns and solid lines demarcating the end of the campaigns.

In 2002 inflation and the exchange rate skyrocketed, in spite of stable interest rates. Brazilian monetary policy is heavily based on interest rates which serve as an anchor for inflation. Even maintaining high interest rates was not sufficient to curb the economic instability caused by the 2002 elections. After the 2002 elections, economic indicators returned to prior levels or even improved, but only because of very conservative and harsh measures enacted by the Lula administration that assumed power in 2003.

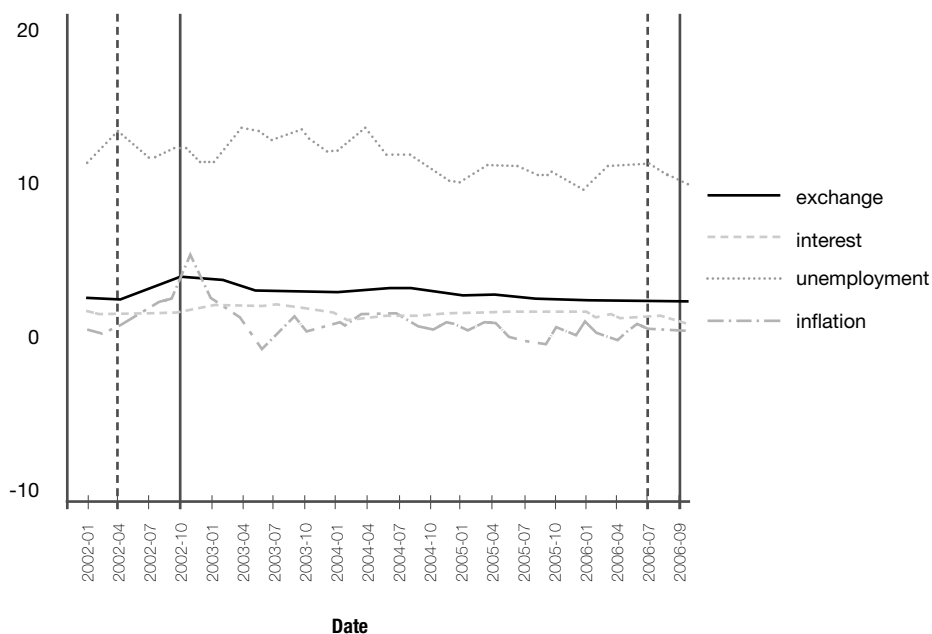
Clearly, the 2006 elections did not pose any threat to economic instability. As the lines in the figure for exchange rates, inflation and interest rates show, each remained stable. There was actually an improvement in the employment rate. Hence, the economy was impervious to speculative attacks in 2006, especially due to the fact that neither Lula nor Alckmin was viewed as threats to the financial markets. In the end, this also was indirectly favorable for Lula because other candidates could not blame him for the instability as was the case in 2002.

However, the stability of economic indicators during the elections indicates more than just another aspect of the current race that favored Lula. It further suggests the "normalization" of Brazilian elections. Once there was an alternation in power, levels of economic unpredictability caused by elections decreased. Once voters and investors had an opportunity to live under distinct partisan governments, more information and experience about the different coalitions that had ruled the country during the past 12 years enhanced the stability and predictability of the poli-

tical system. As elections become normal events in Brazilian history, with candidates' positions more clearly defined and parties more institutiona-

lized, in all likelihood elections will promote less economic turbulence. Brazil seems to be heading in that direction.

Figura 2. Exchange rates, interest and unemployment rates, plus inflation from January 2002 to October 2006 in Brazil. Data were obtained at <http://www.ipeadata.gov.br/>. The exchange rate is the Taxa de câmbio - R\$ / US\$ - comercial - venda - média - R\$ - BCB Boletim/BP, the interest rate is Taxa de juros - Over / Selic - (% a.m.) - BCB Boletim/M.Finan., the unemployment rate is Taxa de desemprego - aberto - RMSPP - (%) - Seade e Dieese/PED and the inflation rate is the IGP-M - (% a.m.) - FGV/Conj. Econômica.



3. Conclusion

The preceding statement about the predictability of the Brazilian political system might seem contradictory to what was mentioned before about the uncertainty of electoral outcomes, but in fact it is not. The uncertainty about electoral outcomes, which is the essence of democracy for Adam Przeworski (1985),

and the lack of economic instability generated by such uncertainty is further evidence of the growing strength of Brazilian democracy. Even in uncertain elections, with two strong candidates and with marked reversals of expectations and momentum during the campaign, the economy remained impermeable to electoral instability.

Such a situation is only possible after there has been alternation in power, a defining trait of the 2006 Brazilian elections. The comparison and contrast between the PT and PSDP administrations that ruled the country for the past 12 years actually was a decisive factor in the electoral outcome. Voters compared and decided that the PT administration deserved more time in power. They were able to weigh the performance of the two groups in power and chose between them in a campaign in which there was an abundance of information about several aspects of the Brazilian economic and political system. The fact that the two main political groups are familiar to the population and investors, that their proposals are well established and that they increasingly build policy reputations, increases the transparency of the Brazilian political system and, consequently, its predictability.

The Achilles heel of this electoral period and of Brazilian governance overall has been the problem of corruption. Lula's government undeniably has been involved in one scandal after another. The list of accusations and evidence against the government is endless. Alckmin stressed this aspect ad nauseum in his campaign. It did have an impact in the first round of the election, showing that the Brazilian voter does not turn a blind-eye to the issue. The "dossier" scandal reminded voters of all the previous corruption events, and that cost Lula a first round victory.

However, when the second round occurred, voters seemed satisfied with Lula's arguments that he castigated those involved and would do so again in the future, no matter who is affected, ally or foe. Hence, it is not that voters ignored the corruption accusa-

tions, they did not. They were probably satisfied with the explanations offered by the Lula administration. Furthermore, once this issue was exhausted, voters weighted the achievements of Lula's administration against those of the PSDB rule from 1994 to 2002, and 60% opted in favor of the former. Apparently, retrospective economic voting prevailed and voters rewarded the administration they thought performed better.

Future studies should contrast how the above factors-- campaign events and rhetoric, tolerance towards corruption and economic retrospective voting, both sociotropic as well as pocketbook-- explain the electoral outcome and volatility.

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