Governmental Corruption

CPI = Corruption Perceptions Index → Rank: (1 being least corrupt)

- **Brazil: Endemic Corruption and Impacts**
  - **Operation Car Wash:**
    - Starting in 2014, the operation began investigation money laundering regarding the state-controlled oil company, uncovering vast schemes where the biggest construction company (Odebrecht) was paying bribes to secure contracts, implicating more than 200 people, including the former president Luiz Inacio (LULA), and his political party (PT). Odebterch had to pay USD $2.6 billion in fines.
  - **Political Consequences**
    - The scandal led to political instability, contributing to the impeachment of the current president Dilma Rousseff, PT party, in 2016, and his successor (vice president Michel Temer, further deepening the political crisis.
  - **Economic Impacts**
    - The revelations severely affected the economy, leading to loss of investor confidence and downturn in economic growth. Several major corporations faced huge fines, resulting in major loan losses and financial instability.

- **Singapore: Zero-tolerance and clean governance**
  - **Prevention of Corruption Act (PCA)**:
    - Given the zero tolerance policy on corruption, this act gives a wide range of power so investigators can detect and prosecute corrupt practices. The act criminalizes both giving and racing bribes, and covers both domestic and international conducts. Harsh Penalties for convicted people, up to 7 years in prison + large $$$ fines. The act created a new specialized agency, called the Corrupt Practices Investigation Bureau (CPIB), that enforced the PCA by operating independently, so it avoided influence by other government branches.
  - **Political Consequences:**
    - The strict enforcement of anti-corruption laws strengthened public confidence in the government. Even when top government officials are involved, the CPIB acts independently and impartially, demonstrating its commitment and accountability. This helped increase political stability and show that the rule applies to everyone, regardless of status or position.
  - **Economic Impacts:**
    - Singapore's reputation for clean government has been a key driver of its economic success. The zero tolerance policy and PCA helped create a transparent business environment, attracting multinational corporations and foreign investors. The strong legal framework and consistent enforcement helps reduce risk and increase investor confidence, contributing to the country's position as a global financial and trade center.

→ The graph shows that Brazil's GDP per capita decreased over the past 10 years, while the corruption levels have increased. At the same time., Singapore (east asia) saw GDP per capita increase, while corruption levels stayed at low levels.

Brazil's Economic Policy Objectives

- **Challenges and Influencing Factors:**
  - **Corruption and Institutional Weakness:**
    - Corruption has weakened Brazil's institutions and destroyed public trust. From corruption in infrastructure, state-run firms undermine policy execution and impact investments, so Brazil's policies should heavily focus on stabilizing governance and rebuilding credibility.
  - **Social Disparity and Inequality:**
    - Having one of the highest Gini coefficients, massive income gaps and regional inequality deteriorate public services and increase the demand for policies. Tackling this inequality matter is essential for sustainable growth.
  - **Inflation Volatility and Costs Pressures**
    - This is a top priority, given Brazil's history of hyperinflation. Cost pressures from currency depreciation, fuel prices, and inefficient subsidies push inflation above target. So, arises the need for more aggressive and independent policy to preserve the purchasing power and restore confidence.
  - **Ineffective use of Natural Resources**
    - Despite being extremely resource rich, Brazil has not successfully leveraged its agriculture and mineral wealth, as the graph shows the contribution of less than 7% to GDP.Thsi reflects missed opportunities in industrialization and highlights the need for policy addressment.

- **Core policy goals: the goal of the policy**
  - **Inflation Targeting:**
    - Brazil always had a history of hyperinflation, so in 1999, it started adopting inflation targeting to control for that. The Central Bank adjusts the "Selic IR" to try to keep inflation within target bands. Still, due to scandals and corruptions, market confidence has been low for the past years, which forced IRs even higher to restore stability.
  - **Fiscal Responsibility:**
    - theTo prevent the debt crisis and inflationary deficits, Brazil has adopted fiscal rules (2000: Fiscal Responsibility Law, 2016: spending cap). Still, enforcement is a challenge due to corruption, so the goal of fiscal policy is to stabilize long term expectations and investor confidence.
  - **Industrial Development:**
    - Here, the goal is to diversify commodities by developing domestic industry and infrastructure. But, industrial policy has often been weakened by bribery and mismanagement, therefore, modern policy must focus on transparency and boosting productivity in industrial sectors.
  - **Social Inclusion:**
    - Policy includes programs such as Bolsa Familia that target extreme poverty. But again, corruption and inefficiencies limit the reach and effectiveness of the program, highlighting the need for new policy on stronger institutions and cleaner governance to achieve optimal impact.

→ The graph shows how Inflation decreased in the 2000s, after the fiscal policy started in 1999 to control for that.

→ The second graph shows how the industrial sector has stagnated over the past decade, highlighting the need for effective and corruption-free industrial policy is crucial for creating a more resilient, diversified economy, and reducing dependency on services.

- **Singapore's Challenges and Influencing Factors:**
  - **Demographic Shifts**
    - The country has one of the fastest aging populations in Asia, followed by high life expectancy and low birth rates, increasing pressure on healthcare and retirement systems. This highlights the need for policy to balance economic growth with social sustainability.
  - **Technological Disruption**
    - Tech innovation is transforming traditional industries, so Singapore must adhere to innovation but mitigate job displacement and digital inequality. So, the government promotes digital literacy and supports firms through grants and programs.
  - **Global Economic Volatility**
    - As an open economy, Singapore is highly exposed to global trade cycles, geopolitical risks, and supply chain disruptions. To remain resilient, the country diversifies its trade relationships, maintains strong fiscal buffers, and fosters flexible monetary tools through exchange rate adjustments.

Singapore's Economic Policy Objectives

- Core policy goals: the goal of the policy
  - **Price Stability: Exchange Rate Management**
    - Singapore controls inflation through the exchange rate (not with IRs). The central bank adjusts its currency to keep imported inflation low, being effective in small importing countries. A stable currency helps control consumer prices and supports investor confidence
  - **Government Budgeting and Reserves**
    - The government manages national reserves through wealth funds, having the reserves invested globally and acting as a buffer during crises.
  - **Innovation**:
    - The government invests in R&D and workforce upskilling, actively supporting high tech industries and promoting financial technology innovation.
  - **Social Inclusion and Retirement Adequacy:**
    - Even though there's no national minimum wage, policy ensures social influencing to different programs such as Workfare Income Supplement, which focuses on lower income workers, ensuring workers have different ways of growing their savings, creating long term trust in financial institutions.