

The Economic Costs of Crime in Brazil

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ABSTRACT

The report *Análise dos custos e conseqüências da violência no Brasil* (Analyzing the costs and consequences of violence in Brazil) presents several interesting conclusions. According to Bourguignon and Morrison (2000), it is important to keep in mind three goals when evaluating the social costs of crime and violence: identifying levels of violence in relation to certain social policies, dividing resources optimally between social policies and public safety, and helping to direct these public resources toward the social programs that will have the best public safety outcomes. These authors also divide the costs of violence and criminality in Brazil into three main categories: those related to crime-production (the cost of resources used for criminal acts, the public costs of crime prevention and punishment, including legal and incarceration costs), collateral costs for victims, and various associated social costs, such as lower investment rates and higher unemployment.

According to the *Atlas da Violência 2017* (2017 Atlas of Violence), the total number of terrorist attacks in 2017 was lower than the number of murders in Brazil during any given three-week period: 3,314 terrorism-related deaths annually, compared to 3,400 murders every three weeks in Brazil.

Keywords: Brazil, costs, violence, crime, homicide

Los costos económicos del crimen en Brasil

RESUMEN

El informe *Análise dos custos e conseqüências da violência no Brasil* (Análisis de los costos y las consecuencias de la violencia en Brasil) presenta varias conclusiones interesantes. Según Bourguignon y Morrison (2000), es importante tener en cuenta tres objetivos al evaluar los costos sociales de la delincuencia y la violencia: identificar los niveles de violencia en relación con ciertas políticas sociales, dividir los recursos de manera óptima entre las políticas sociales y la seguridad pública, y ayudando a dirigir estos recursos públicos hacia los programas sociales que tendrán los mejores resultados de seguridad pública. Estos autores también dividen los costos de la violencia y la criminalidad en Brasil en tres categorías principales: los relacionados con la producción delictiva (el costo de los recursos utilizados para actos delictivos, los costos públicos de la prevención y el castigo del delito, incluidos los costos legales y de encarcelamiento), colateral costos para las víctimas y varios costos sociales asociados, como tasas de inversión más bajas y un mayor desempleo.

Según el *Atlas da Violência 2017* (Atlas de la violencia de 2017), el número total de ataques terroristas en 2017 fue menor que el número de asesinatos en Brasil durante un período de tres semanas: 3.314 muertes relacionadas con terrorismo anualmente, en comparación con 3.400 asesinatos. cada tres semanas en Brasil.

Palabras clave: Brasil, costos, violencia, delito, homicidio

巴西的犯罪经济成本

摘要

“巴西暴力成本与后果分析” (*Análise dos custos e conseqüências da violência no Brasil*) 报告提出了一些有趣的结论。根据学者Bourguignon 和Morrison (2000), 在评价犯罪与暴力的社会成本时需牢记三个目标: 识别一些社会政策所定义的暴力等级, 在社会政策与公共安全之间以最优的方式分配资源, 帮助将这些公共资源引向将产生最佳的公共安全结果的社会项目。这两位学者还将巴西暴力及犯罪成本分为三个主类别: 与犯罪生产相关的成本 (用于犯罪行动的资源成本、犯罪预防与惩罚的公共成本, 包括法律与监

禁成本)、受害者的附加成本、以及相关的不同社会成本,例如投资率下降和失业率升高。

根据出版物“2017暴力集”(Atlas da Violência 2017),2017年巴西恐怖袭击总数量比任意三周时间内的谋杀案数量少:2017年3,314次死亡事件与恐怖主义相关,而每三周时间就有3400次谋杀。

关键词:巴西,成本,暴力,犯罪,他杀

Brazil has been in the grip of a major public safety crisis for years. After a long period of military rule, during which the public was stripped of even the most basic protections, in 1988 the country once again became democratic and adopted a new constitution. This “Citizen Constitution” has led to undeniable social progress and greater protection for individuals. However, it was also the product of a period of transition between several different regimes, and the army’s influence can be seen in several areas. For example, public safety is defined vaguely in the constitution, under a single, fairly general article.

The Brazilian public safety model is unique, with two police forces in each Federal State: the “military” police, who work in the field, and the “civil” police, who focus on investigations and legal matters. Neither can complete a full investigation without the other, but there is little communication between them. This model is a ticking time bomb, and the effects are becoming ever clearer over the years, with a combination of extremely high homicide rates and laughably low clearance rates.

As it undergoes one of the worst economic crises in its history, Brazil is plagued by two, directly connected problems: economic recession and unemployment. Several federal states have had to take on increased debt, and some, like Rio de Janeiro, Minas Gerais, and Rio Grande do Sul have gone well beyond their legal debt limits. There is simply no money to pay salaries or normal expenses, especially when it comes to public safety.

The report *Análise dos custos e conseqüências da violência no Brasil*¹ published by the IPEA (*Instituto de Pesquisa Econômica Aplicada*, or Brazilian Institute of Applied Economic Research) draws several interesting conclusions from this situation.¹ According to Bourguignon and Morrison (2000), it is important to keep in mind three goals when evaluating the social costs of crime and violence:

1 Daniel Cerqueira, et al. *Análise dos custos e conseqüências da violência no Brasil* (Brasília: Institute of Applied Economic Research, 2007). Available at: http://www.ipea.gov.br/portal/images/stories/PDFs/TDs/td_1284.pdf

identifying levels of violence in relation to certain social policies, dividing resources optimally between social policies and public safety, and helping to direct these public resources toward the social programs that will have the best public safety outcomes. These authors also divide the costs of violence and criminality in Brazil into three main categories: those related to crime-production (the cost of resources used for criminal acts, the public costs of crime prevention and punishment, including legal and incarceration costs), collateral costs for victims, and various associated social costs, such as lower investment rates and higher unemployment.

To fully grasp the scale of crime in Brazil, we should recall that, according to the *Atlas da Violência 2017* (2017 Atlas of Violence),² the total number of terrorist attacks in 2017 was lower than the number of homicides in Brazil during any given three-week period: 3,314 terrorism-related deaths annually, compared to 3,400 murders every three weeks in Brazil.

From a strictly economic standpoint, every murder removes someone from the workforce. In particular, when a young person is killed, they are prematurely and permanently removed from the workforce, and the market loses around 550,000 reais (around \$127,000) of production annually. This figure is even more striking when we recall that around 70 percent of homicide victims are under thirty-four years old. Taking into account the rise in murder rates since the 1990s, the annual value of production losses due to homicides went from around eighteen billion reais in 1996 to twenty-six billion reais in 2015, with cumulative losses exceeding 450 billion reais (around \$104 billion). Temporary disabilities to work due to injuries also cost around 2.6 billion reais annually. The medical and therapeutic costs related to crime make up around 0.05 percent of Brazil's GDP.

Economic recession and violence in Brazil therefore form a vicious cycle: recession leads to violence, and violence exacerbates the effects of the recession. According to the newspaper *O Globo*, corporate spending on security reached 1 billion reais (\$230 million) in the state of Rio de Janeiro alone in 2017. Unsurprisingly, the greater the crime rate in a given geographic area, the more shops and factories will shut down, a pattern that is especially evident in Rio. In the first half of 2017, around 8,000 companies closed their doors in the region due to unsafe conditions, a 38 percent increase compared to the same period the year before. When Luiza, a retail group, announced that it was opening sixty new stores around the country, it decided not to open any in Rio de Janeiro for this very reason.

L'Oréal stopped work at its plant in the Pavuna neighborhood, which has the highest cargo theft rate in Rio, and transferred all activities to the state of São Paulo. Sadly, a single street in Pavuna accounts for a full 1 percent of all incidents of cargo theft reported in Brazil. During the first seven months of 2017, Rio de

2 Daniel Cerqueira, et al. *Atlas da Violência 2017* (Rio de Janeiro: Institute of Applied Economic Research, 2017). Available at: http://www.ipea.gov.br/portal/images/170602_atlas_da_violencia_2017.pdf

Janeiro recorded 10,599 cases of cargo theft, i.e. 883 incidents per month, or one theft every fifty minutes. This is just above the same figure for São Paulo (10,584 cases), which has three times as many residents. The Industry Federation of the State of Rio de Janeiro (FIRJAN) published a study entitled *O impacto econômico do roubo de cargas no estado do Rio de Janeiro* (The economic impact of cargo theft in Rio de Janeiro),³ which reports that transporters have created a surcharge for any trips to or from Rio de Janeiro. This so-called ‘exceptional emergency charge’ adds around 1.5 percent to the marginal price of any given product. The same study also shows that while such crimes increased by 86 percent throughout the country between 2011 and 2016, they shot up by 220 percent in the state of Rio de Janeiro. According to Eduardo Eugênio, President of FIRJAN, “cargo theft has reached levels that are shameful and unsustainable. When cargo costs go up, it’s not just companies who pay the price, but consumers as well. Public budgets are also impacted as tax revenue shrinks.”

There have also been losses in the tourism sector. A study from the National Federation of Commerce of Goods, Services and Tourism⁴ shows that from January to August 2017, the state of Rio de Janeiro lost 657 million reais (\$151 million), or roughly 30 percent of tourism sector revenue. Bars and restaurants recorded a loss of 332 million reais (\$76 million), transportation companies, travel agencies, and rental companies lost 215 million reais (\$49 million), hotels, youth hostels, and similar establishments lost ninety-seven million reais (\$22 million), and other cultural and leisure activities lost fourteen million reais (\$3.2 million). With Rio facing such a deep crisis, the federal government has been forced to enact unprecedented public safety measures, and presidential decree No. 9288 called for federal intervention and the appointment of two generals to oversee operations until December 2018.

While Rio de Janeiro may be a unique and dramatic example, the report *Custos econômicos da criminalidade no Brasil* (Economic costs of crime in Brazil)⁵ published by the Strategic Affairs Secretariat of the Presidency, reports that crime reduces the country’s gross domestic product by 4.38 percent, broken down as follows: additional public safety spending (1.35 percent), private security spending (0.94 percent), insurance and material losses (0.8 percent), legal fees (0.58 percent), loss of production capacity (0.40 percent), incarceration costs (0.26 percent

3 *O impacto econômico do roubo de cargas no estado do Rio de Janeiro* (Rio de Janeiro: Publicações Sistema FIRJAN, 2017). Available at: <https://www.firjan.com.br/lumis/porta1/file/fileDownload.jsp?fileId=2C908A8A5A4752C8015A47652E540B05>

4 *Violência impôs perda de R\$ 657 milhões ao turismo do RJ em 2017* (Rio de Janeiro: Contributions of the commerce, service and tourism for the sustainable development, 2017). Available at: <http://www.cnc.org.br/editorias/economia/pesquisas/pesquisa-sobre-impacto-da-violencia-no-turismo-do-estado-do-rio-de>

5 Secretaria de Assuntos Estratégicos. *Custos econômicos da criminalidade no Brasil* (Brasília, 2018). Available at: https://www.gov.br/secretariageral/pt-br/centrais-de-conteudo/publicacoes/publicacoes-e-analise/relatorio-de-conjuntura/custos_economicos_criminalidade_brasil.pdf/view

of GDP), medical and therapeutic services (0.05 percent of GDP). Between 1996 and 2015, the additional costs directly related to crime and violence rose from 113 billion reais to 285 billion (\$26 billion to \$66 billion) every year. During the same period, spending on public safety alone went from thirty-two billion reais to ninety billion annually (\$7 billion to \$21 billion). Brazil's federal states cover 80 percent of this spending, and the federal government the other 20 percent.

Between 1996 and 2015, cumulative security spending rose by 170 percent in the public sector and by 135 percent in the private sector, with particularly negative social outcomes, since the number of murders in the country rose from 35,000 to 54,000 annually during the same period.

The overall cost of crime in Brazil today weighs more heavily on the private sector: 149 billion reais in 2015, compared to 135 billion reais for the public sector. Total losses for the entire country during the 1996–2015 period are estimated to be around 4 trillion reais (\$920 billion). According to the Inter-American Development Bank (IDB), in 2014, these costs made up 53 percent of the total cost of crime in Latin America and the Caribbean, and 78 percent of the total cost of crime in the Southern Cone (Argentina, Brazil, Chile, Paraguay, and Uruguay). This study emphasizes Brazil's continental scale and highlights the need to see the country in all of its regional diversity, since different states weigh more or less heavily on these national figures.

Conclusion

On October 28, Brazil elected Jair Bolsonaro as President of the Republic, with a little more than 55 percent of all votes cast. One of his first acts as president was to appoint the judge Sergio Moro, known for leading the massive anti-corruption campaign, “Lava Jato,” as Minister of Justice. In this role, Moro will have direct authority over the federal police, the federal highway police, the national secretariat of public security (similar to the interior ministry), and the national prison service. As an expert in criminal law and procedures, he should be able to influence legislation and public safety policy, and hopefully bring Brazil out of its current predicament, with the instability and economic losses described above. Meanwhile, the Director-General of the Federal Police, Mauricio Valeixo, is an experienced officer of the law who has participated in exchange programs with the FBI in the United States and is the former director of the agency's intelligence service. He may well continue and improve on the work of his predecessors, Leandro Daiello and Rogério Galloro. As for the governor of the state of Rio de Janeiro, the former federal judge Wilson Witzel, he has already announced several highly controversial public safety proposals, many of which have received approval from police officers, but faced criticism from academics and criminologists. The governor of São Paulo, João Dória, named a military reservist to lead that state's public safety department, the first time a non-civilian has held the position since 1979.

Until recently, the Brazilian State too often failed to plan, propose, manage, execute, or monitor its domestic public security policies. Measures that may seem populist or extreme are particularly popular in Brazilian society, which has already suffered enormously from the terrible violence that plagues the country. Only time will tell if such measures, dismissed as ineffective by some criminologists, will prove beneficial for Brazil.