O BRASIL TEM JEITO

[BRAZIL HAS A WAY]

PENSAMENTOS LIBERAIS 30th EDITION

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O BRASIL TEM JEITO

[BRAZIL HAS A WAY]

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NOTE FROM THE COORDINATORS

Firstly, we would like to express our gratitude to everyone who made this 30th edition of the *Pensamentos Liberais* Series possible. To the Presidency and Board of Directors of the Instituto de Estudos Empresariais (IEE), for their institutional support and trust in this project; to the guest columnists and associates who accepted the challenge of writing with care, courage, and commitment to reality; to the teams that support the editorial work, especially 3GB Comunicação and +A Educação, for their careful and technically rigorous management of each stage; and, finally, to the investors and supporters of this edition, whose contribution enables this book to reach thousands of readers year after year.

Reaching the 30th edition is not just about achieving a symbolic number: It confirms the continuity of an idea and the consistency of a purpose. For this reason, we have structured a significant part of this work as a historical review, looking back at the transformations that have shaped Brazil and the world over the last few decades. Revisiting entails more than remembering: It is comparing promises with results, identifying choices that worked, recognizing mistakes, and extracting lessons that still inform present decisions.

Throughout this process, we reaffirm *Pensamentos Liberais* as one of the most enduring legacies of the Fórum da Liberdade. The book is a record of the debate—of what was said, thought, and proposed—which does not end with the event, but remains a reference for leaders, opinion makers, and all those who believe that well-founded ideas can improve people's lives.

No year has demanded greater clarity and intellectual responsibility than 2026. Amid political tensions, economic challenges, and mounting social demands, Fórum da Liberdade proposes the theme "*O Brasil tem jeito*" (Brazil has a way). This statement is not just an optimistic slogan: It is a call for seriousness. "*O Brasil tem jeito*" implies admitting existing problems, facing restrictions, abandoning easy shortcuts, and pursuing solutions that work—even when they require discipline, prioritization, and difficult choices.

This edition seeks to balance diagnosis and proposal. We start from an honest reading of the current scenario, without convenient narratives and without resorting to

improvisation. Building on that, we gathered contributions oriented toward practical paths, consistent with a vision of the future: reforms, correct incentives, more predictable institutions, legal certainty, openness to talent, valuing the individual, and an environment where work, innovation, and entrepreneurship can flourish. Here, looking ahead is not fantasy—it is responsibility.

Against this backdrop, liberalism is more important than ever. Not as a label, but as a commitment to principles that protect human dignity and make societies more prosperous: freedom with responsibility, limits on power, respect for rules, predictability, tolerance, and trust in social cooperation. In times of polarization and easy promises, solid principles prevent the urgency of the present from destroying the possibilities of tomorrow.

Brazil can work—and the path forward begins with clear ideas, difficult choices, and the courage to exchange the comfort of narratives for the discipline of solutions.

We wish everyone an excellent read.

Ananda Rodrigues Bandeira
Coordinator for the 30th Edition of the Pensamentos Liberais *Series*

Henrique Torrescasana Trevisan
Coordinator for the 30th Edition of the Pensamentos Liberais *Series*

PREFACE

O Brasil tem jeito? Will Brazil find its way?

This is a question that haunts—and, in a way, torments—our minds when we reflect on our country. That almost natural hope and optimism, which seem to be embedded in the Brazilian DNA, clash with the harsh reality of facts and news. In other words, the promise of the "country of the future" is confronted with a Brazil that cannot make sense of its past or understand its present, much less envision its future.

The theme for the 2026 Fórum da Liberdade is "*O Brasil tem jeito*", which can be loosely translated to the English "Brazil has a way." This expression is especially provocative—in keeping with the spirit of the event—because today many people question whether it is possible; few dare to state it as a fact. The strength of the original expression lies in its ambiguity, aiming to analyze the idea of a country that *has a way* ("*tem jeito*"): the conviction that Brazil has a successful path ahead and also the traits that define the Brazilian character. We will not be content to be the eternal "country of the future." Freedoms transform societies and are the path for Brazil to fulfill its full potential.

While we recognize the virtues of the Brazilian people—they are hardworking, creative, resilient, and capable of turning scarcity into solutions—we must also recognize their vices—personalistic, patrimonialistic, corporatist, among other "-istic" traits, which can be condensed into the "Brazilian way" of doing things (the "*jeitinho brasileiro*").

Between the virtues that drive us and the vices that divert us, the 2026 Fórum proposes a reflection on our cultural roots, the challenges that keep us from reaching our potential, and the opportunities to convert our energy into real prosperity. All this in a year of general elections, when public debate is especially heated.

Before directly answering the question that opens this preface, it is important to make an essential point. Few institutions and rules of the game have remained unchanged for 30 years in Brazil, due to the dynamic, almost chaotic environment in which we live. Our current Constitution, for example, is 37 years old and is questioned on a daily basis. Very few organizations and companies can withstand 30 years of daily changes, bureaucracy, and low international competitiveness to which our country

subjects entrepreneurs. And almost no project or initiative is capable of enduring and growing stronger over three decades.

This background only increases the value of the *Pensamentos Liberais* series, which completes its 30th edition at the 2026 Fórum da Liberdade. This edition brings the total to no fewer than 30 books coordinated and written by members of the Instituto de Estudos Empresariais (IEE) since 1994.

Such consistent and long-lasting initiatives allow for unique analyses: *Pensamentos Liberais*, as a result, tells the story of how generations of IEE members developed their thinking, while also tracing the evolution of liberal ideas in Brazil. The main reflections on freedom and proposals for a freer Brazil are arranged chronologically in the 30 volumes of the series.

I invite the reader, then, to approach this work not as an isolated read but as the latest installment in the IEE's historic commitment to illuminate the Fórum da Liberdade's most relevant debates—now also in written, analytical form.

For those who consider themselves collectors of PLs—an affectionate acronym we use at the IEE—like myself, I hope that this beautiful and commemorative edition will be a special addition to your collection.

With that said, let us return to the key question, which culminated in the theme of the 2026 Fórum da Liberdade: Will Brazil find its way?

Evidently this question can be answered positively or negatively, from different perspectives and by different authors, using different means and levels of detail. My own answer may sound naïve: Any country can find its way.

The study of the history of civilizations reveals the dynamism and plurality with which societies rise and fall. Any student knows that the motivations for the rise and fall of the Western Roman Empire differ from those of the United Kingdom's hegemony in the more recent past. Yet, abstractly, these societies succeeded in organizing themselves strategically during periods of strength, and failed to reorganize when new internal and external forces emerged.

In this simple reasoning, agency and responsibility lie entirely within the reach of the members of each society. Despite the existence of some unpredictable factors, the ability to understand, reflect, and formulate a vision for the country is the great differentiator. Put differently, everything hinges on the design of a social contract and the governance of institutions built by the people and for the people—aimed at justice and prosperity.

Attributing failure to external factors, such as imperialism, scarcity of natural resources, and others, reveals a lazy analysis and a juvenile attitude. I am also reminded of the phrase attributed to Nelson Rodrigues, that "Brazil's biggest problem is the Brazilian people." I could not agree more; however, I would like to add: "The biggest problem is also the best solution for Brazil, the Brazilian people."

In the pages that follow, the reader will initially be guided through a historical review. After all, how can we decide the course of 2026 without understanding the scars and the lessons learned from the decades that brought us here? These pages offer a

bold plunge into the past—from the economic dilemmas of the 1980s to the most recent institutional transformations. This is not a nostalgic perspective: It is the necessary method for identifying which shortcuts led us into the abyss and which bridges will lead us to growth.

In sectoral articles covering everything from infrastructure to legal certainty, the authors here draw a map of a possible Brazil that is modern and, above all, free. Face the facts as they demand to be faced—with unflinching honesty and calm. Thus, you will see that freedom is not a natural state of affairs, but a daily achievement that requires vigilance.

At the end of this journey, you will be transported into the future, to the year 2056, when the consequences of our choices today will materialize.

Finally, I would like to remind you that the IEE is an institution with more than four decades of tradition in training business leaders based on liberal principles. Beyond this less publicized work, the IEE has conceived and held the Fórum da Liberdade for 38 years. Its current purpose remains as alive as it was in 1988: To enlighten more minds with profound and relevant debates about our society, culture, politics, and economy.

The success of this mission, though difficult to measure in full, can be seen in two dimensions: the large number of high-level business, political, and community leaders who have drawn on the Forum's ideas; and its recognition as the largest pro-freedom event in the world.

In 2026, we are convinced that true leaders cannot reduce the expression "*O Brasil tem jeito*" to a cliché, repeated to feed a lazy, hollow hope. The challenges of the coming years will require both wisdom and courage.

Therefore, dear reader, I hope this book will spark your curiosity and sharpen your critical thinking. I also hope it will inspire a sense of mobilization and a drive to build a fair, prosperous, and free Brazil.

I have no doubt: Brazil will find its way. I hope that, by the end of this book, you will also be convinced of this.

I wish you an excellent read!
Liberal greetings,

Tiago Dinon Carpenedo
President of Instituto de Estudos Empresariais (IEE)

Porto Alegre, April 2026.

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O BRASIL TEM JEITO: THE FUTURE THAT INSPIRES

LESSONS FROM THE PAST: THREE DECADES OF TRANSFORMATIONS

In this 30th edition of the *Pensamentos Liberais* Series, we decided to make room for the past—not out of nostalgia, but as a method. In times of hasty diagnoses and instant solutions, revisiting Brazil and the world's recent trajectory is a way to recover a sense of cause and effect. The present did not begin yesterday: It is the sum of cumulative choices, incentives that were created, institutions that were strengthened or weakened, and ideas that, over time, have translated into concrete results. Therefore, this section rests on the premise that the past has lessons to offer—and that learning from it is a condition for making better decisions now.

The purpose of this historical review is to transform memory into a tool. Looking back helps us separate the essential from the transient, identify repeating patterns in new ways, and recognize where we got it right, where we failed, and why. More than just narrating facts, we seek to illuminate the paths that have brought us here, offering readers a stronger foundation for evaluating the dilemmas of 2026 and the choices we will still make.

The articles in this section have been organized by time periods, divided by decades, starting in the 1980s and progressing to the decade we are in now. In each period, the authors revisit contexts, milestones, and debates, connecting them to lessons that remain relevant. Thus, before discussing the country we want to build, we begin with what we need to understand: the path we have already traveled.

We invited Ricardo Gomes to open this section.

Ricardo Gomes

Gomes is the CEO of Instituto Millenium, a lawyer, partner at the law firm Gomes & Takeda Advogados, and former Deputy Mayor of Porto Alegre, where he also consolidated his public career as a City Councilman and Municipal Secretary of Economic Development and Tourism. A postgraduate specialist in Labor Law and Procedure, his work in municipal management was marked by the defense of economic freedom and the implementation of structural reforms aimed at reducing bureaucracy and strengthening entrepreneurship in the capital of Rio Grande do Sul, a state in Southern Brazil.

A prominent leader in the international liberal movement, he chaired the Instituto de Estudos Empresariais (IEE) and the Rede Liberal da América Latina (RELIAL), and is also a member of the prestigious Mont Pelerin Society, an institution founded by F. A. Hayek. In the private sector, he was a university professor and has collaborated on several productions by Brasil Paralelo. A frequent speaker at global forums, such as the Liberty Forum in New York, Gomes actively contributes to institutional debate and the development of liberal thought in Brazil and abroad.

LIBERALISM IN THEORY AND PRACTICE: BRAZIL'S GAP

There is History and there is the History of Ideas, and they do not always coincide. Theories, which live in the history of ideas, are pure, abstract, and perfect—or at least they can be. Reality, expressed in the history of events, is always impure, concrete, and imperfect, filled with contradictions, ups and downs, stumbles, and advances. Looking at the past and telling the story of liberalism in Brazil challenges us to see this distinction and realize that sometimes while ideas advanced intellectually, they were not applied in practice; at the same time, some transformations that could even be called liberal were implemented, perhaps by those who did not subscribe to that worldview.

Ludwig von Mises[1] said that "ideas, and only ideas, can illuminate the darkness." Patrick Henry[2] said, "I have but one lamp to guide my steps, and that is the lamp of experience." If both are right, revisiting the past means delving into the abstractions proposed by ideologies, which reside in books and ideological movements (of which the liberal movement is one example), but also in the concrete decisions of those in power, economic plans, and reforms that have been effectively implemented.

Liberalism was scarce in Brazil from the Proclamation of the Republic until the reopening after the military dictatorship, inaugurated by the coup d'état of 1964. During the Empire, liberals and conservatives fought the greatest political battles in the country, though this was not the case in republican Brazil. The Old Republic, then the New State. A small window of democracy dominated by populism, and soon after, the military regime. Brazil transitioned from oligarchy to statism without ever losing its most striking feature: patrimonialism, the political culture of treating the state apparatus as a private structure.

During this journey, the country was governed by statists in suits and ties, in red and olive green. It was in the 1980s that Brazil began to sow, with a marked delay, what was already flourishing in the first world: The idea that freedom was the highest political value and the principle on which a political society should be organized. With ancient roots, watered for centuries, pruned several times, the tree of liberalism sprouted for the first time in the Republic—brought by some intellectuals such as Roberto Campos, but spread by brave young people.

The 1980s saw the end of the Cold War—with the resounding Soviet defeat in the economic, military, and cultural fields. Ronald Reagan and Milton Friedman were the faces of the transformation that was coming at full speed. It was the cry for freedom that brought down the Berlin Wall. Here in Brazil, the "slow and gradual" transition led by the military pointed to political openness, but did not ensure economic openness, which in fact did not come—at least, not to any meaningful degree.

Despite the campaign for direct elections in 1984, only with the new Constitution of 1988 Brazil was able to go to the polls in order to elect a president, with the election taking place in 1989. After losing a decade, dragging itself out of a moribund regime, Brazil chose Collor de Mello to lead the first government elected by the people in more than 25 years.

In the 1990s what was happening (still in an early stage) in the realm of ideas finally had a chance to become reality. Economic liberalization, reforms, privatizations—the liberal ideology had a recipe, and it seemed that the government could follow it. That was not quite the case. The recipe was prepared by cooks who were unfamiliar with the ingredients. Itamar Franco and Fernando Henrique Cardoso implemented reforms that could partly be called liberal, but with a strong scent of statism and a certain squeamishness for the market.

If the 1990s allowed for faltering steps, the 2000s gave Luiz Inácio Lula da Silva and the Workers' Party (Partido dos Trabalhadores, or PT) their first experience in power. Latin America as a whole watched as "Bolivarianism" took hold. Brazil was central to this process, including via the international financing of "21st-century socialism." As the government distanced itself from any concept of liberalism, the demand for ideas grew. The 2000s and 2010s, dominated by the left in the political arena, saw the greatest expansion of liberal thought in Brazil.

Institutes were created, grew, organized events, and supported intellectuals. Books were written, articles were published, and the Internet provided what was still missing: a free market of ideas—an open forum of opinions, where liberalism established itself through the strength of its arguments.

Increasingly strong as a movement in the field of ideas, and equally ignored by the Federal Administration, liberalism lost ground in the late 2010s to the Brazilian version of a new kind of conservatism—which broke the harmony between liberals and conservatives so well represented in the Reagan-Friedman era. In the United States, where a liberal-conservative fusion seemed to have emerged at the end of the Cold War, the alliance fell apart. A new left also emerged, and "woke" thinking changed the political discourse and practice.

The effects were also felt in Brazil. Polarization left the economy aside and migrated largely to the field of culture. In the 2020s, this change also affected the international order.

Throughout these decades, Brazilian liberalism made itself heard—even if it did not guide political decisions. The following pages will explore these relationships and each of these periods, and, in the end, readers will be able to reach their own conclusions about how much more or less free Brazil is today than in the past, and about the role of liberals and their ideas in the country's journey over the years.

Telling this story is a useful and necessary task. Useful because, without it, we lose sight of the circumstances in which we live, how far we have come, and how far we still have to go. Can we think about the state of freedoms today without properly seeing how they were three decades ago? In the confusion of politics, which can change with

every electoral upheaval, it is worth pulling back the curtain of history to see more clearly what has changed.

This account is also necessary because we feel the urge to tell our stories. No account is ever complete. Each narrative is written by an author—and carries with it a point of view, but also a snapshot of what happened. Just as a map does not contain everything that the territory presents, history never contains everything that happened. That is why it is necessary to tell what is in the following pages—because the authors' points of view and the facts they recount are a very important part of what has happened in Brazil in recent decades. To refrain from reading these articles is to decide not to know—it is a renunciation of knowledge, a deliberate choice to remain in the partial ignorance that afflicts those exposed to a biased history, like the one that prevails in Brazil today.

Ludwig von Mises and Patrick Henry might have looked at Brazil with curiosity. What direction will the country take from here on out? Are the ideas of freedom ripe for the picking? Have the events of the past brought us to a moment where the transformation of Brazilian political culture is possible?

Amid this dance between ideas and decisions, between people's thoughts and the actions of governments, lies the future of Brazil. If it is true that liberalism never became truly popular, it is also true that great leaders are capable of steering destiny. And Brazil produces leaders committed to the ideal of individual freedoms compatible with the rule of law—largely thanks to the work of the Instituto de Estudos Empresariais (IEE) and those who promote or cooperate with it.

Even though when we look back we do not see the supremacy of freedom in Brazil, this does not mean that it is not in our future.

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Anderson Bertarello Fernandes

Businessman and Associate at the Instituto de Estudos Empresariais (IEE)

THE LOST DECADE: THE INCOMPLETE FREEDOM DILEMMA

INTRODUCTION

The year 1986 began as a breath of hope in Brazil. After decades of military rule, it was the first to open under a civilian government, albeit indirectly elected, with promises to preserve and expand fundamental rights. That enthusiasm, however, proved short-lived.

That same year, my parents opened a grocery store, leveraging on my father's administrative experience as a former business manager as well as my mother's banking experience. Yet factors they had not foreseen proved decisive to the venture's survival. The radio, which alternated between hits by Brazilian rock bands such as Legião Urbana, Paralamas do Sucesso, and Titãs, as well as Elton John, and Lionel Richie, was often interrupted by the noise of pricing guns, official announcements about new economic policies, or even the occasional presence of a "Sarney Inspector." As my mother says, those were years in which her ability to quickly recompute prices and make bank deposits, combined with my father's ability to negotiate with suppliers the postponement of deliveries for even a single day, were the real critical factors for success.

The sound of the pricing gun, strictly speaking, was not mere curiosity the era, but the daily expression of a country that was relearning political freedom while keeping its economy stuck in old habits. Each price tag affixed to a rice package produced the feeling of a never-ending new beginning. The uncomfortable lesson was clear: Without a reliable currency, freedom to vote does not translate into freedom to plan, invest, and save, in short, to live with any degree of predictability. More than a simple work tool, the pricing gun became a thermometer: It recorded the fever of a currency without a guardian.

THE 1980s IN BRAZIL AND THE WORLD

To understand this situation, we must go back to the early 1980s. In the United States, the Ronald Reagan administration was promoting a liberal shift in the economic and political spheres, while the world was absorbing the effects of the monetary shock led by Paul Volcker at the Federal Reserve. After years of high inflation in the United States (which reached levels close to 15% per year), the US monetary authority committed to high interest rates until inflationary expectations reversed. The measure, essential for long-term stability, had severe impacts on countries indebted in dollars and with floating exchange rates, such as those in Latin America: external financing became more expensive or disappeared; exports lost real value; the dollar appreciated; and the

region plunged into the so-called "lost decade." In 1982, Mexico declared itself unable to honor its commitments; Brazil, after successive negotiations, decreed a partial moratorium in 1987. The international economic crisis acted as an X-ray scan, exposing the fragility of a model that favored protection over competition, directed credit over fiscal discipline, and state enterprise over openness to investment and trade.

Domestically, the process of redemocratization expanded social mobilization, consolidated competitive elections, and guaranteed freedom and plurality of the press. This process culminated in 1988 with the promulgation of a Constitution that expanded individual guarantees, as well as a sweeping expansion of rights for the population (Figure 1). The 1988 Brazilian Constitution[1] was the result of a broad and heterogeneous constitutional process, convened by Constitutional Amendment No. 26/1985 and conducted by the National Constituent Assembly between 1987 and 1988.

Under the symbolic leadership of Ulysses Guimarães, the drafting process was organized into thematic committees, subcommittees, and a systematization body, with the active participation of social movements, professional associations, and sponsors of popular amendments. The Charter was promulgated on October 5, 1988, and became known as the "Citizen Constitution"—a name that reflected the priority of restoring individual rights and curbing state arbitrariness after decades of authoritarian rule. The result was a sweeping catalog of civil, political, and social rights: the creation of the Brazilian Unified Health System (Sistema Único de Saúde, or SUS), the expansion of social security and welfare benefits, the reinforcement of civil liberties, the strengthening of the Public Prosecutor's Office, and the design of an economic order balancing private enterprise with robust state oversight (the social function of property,

FIGURE 1. Ulysses Guimarães raises the Constitution after its publication.
Source: Adapted from Brasil.[2]

then-reserved monopolies, and sectoral reserves). At the same time, budgetary mandates and constitutionally earmarked spending obligations multiplied—particularly in health and education—while the document's high degree of rigidity and its relative inattention to fiscal discipline and accountability laid the groundwork for the judicialization of public policy.

Yet the restoration of civil liberties was not accompanied by any serious debate about the state's budgetary constraints, or about how economic freedom must accompany civil liberty for genuine progress. Spending constraints and legal obligations were expanded without corresponding fiscal discipline. In the absence of a credible anchor for public accounts and monetary policy, inflation became the default adjustment mechanism—a "tax without law," funded by the steady erosion of the monetary savings of families and businesses. The widespread indexation of wages, rents, contracts, and tariffs offered some short-run relief, but entrenched inflationary inertia and obscured relative prices. The result was the erosion of the informational function of prices and the widespread adoption of defensive strategies: anticipatory purchases, preventive inventories, frequent adjustments, and shortened planning horizons.

Against this backdrop, a series of unorthodox initiatives sought to interrupt the inflationary dynamic through price freezes and currency replacements. As Gustavo Franco[3] argues in his book *A moeda e a lei: uma história monetária brasileira* (*Currency and the Law: A Brazilian Monetary History*), the prevailing misdiagnosis held that inflation was purely inertial—almost as though policymakers wished it to be so. The Cruzado Plan of 1986 introduced a new currency, the cruzado. By cutting three zeros from the cruzeiro, it promoted a general freeze on prices and wages, fixed rents and public tariffs, and attempted to reduce inertial inflation by limiting indexation, and establishing mechanisms such as the automatic wage trigger. Scarcity emerged, the parallel market resurfaced, the "Sarney Inspectors" appeared, and productive disruption deepened. Despite providing a temporary drop in inflation, the Cruzado Plan failed to address the structural causes of the crisis, and inflation soon began to rise again, exacerbating the country's economic problems.

Subsequent plans, Cruzado II (1986), Bresser (1987), and Summer (1989), reiterated, with variations, the attempt to suppress symptoms without addressing the source of the imbalance: The absence of clear limits on public spending and a monetary mandate aimed at preserving the currency's purchasing power. In Cruzado II (1986), faced with the distortions of the first plan, the government readjusted tariffs and administered prices (such as energy and fuels), increased taxes, and partially liberalized some prices, attempting to restore corporate margins and tax revenues, but still maintaining strong intervention in price formation. The Bresser Plan (1987) reintroduced a new freeze on prices, wages, and rents, combining this with currency devaluation and a fiscal adjustment package (cutting and containing public spending) in an attempt to simultaneously control cost inflation, inertia, and the imbalance in public accounts.

Finally, the Summer Plan (1989) promoted another currency exchange, replacing the cruzado with the cruzado novo with a new cut of zeros. It also reimposed price and wage freezes, redefined indexation rules, and announced fiscal and monetary

measures to restrict the expansion of spending and credit, seeking to contain inflation, which was already approaching the hyperinflation that would come in the 1990s as a delayed consequence of this period. All these plans, however, are nothing more than confirmation of Friedrich Hayek's[4] thesis in *The Road to Serfdom*: Each intervention generates distortions that "justify" new interventions, in a vicious circle that erodes confidence in the currency and in the very predictability of the rules of the game. Without credible fiscal rules and a monetary authority endowed with autonomy and a commitment to stability, the solutions became episodic and regressive, with some minimal effect at the outset, but with a much more pronounced rebound effect a posteriori (Table 1 and Figure 2).[5,6]

Uncertainty about the currency's purchasing power shortens planning horizons and raises risk premiums. Companies and households replace long-term investment with defensive inventories and ultra-short-term assets. Credit contracts or becomes more expensive, since long-term agreements are harder to price. The typical result is a decline in fixed capital formation, delays in technological diffusion, and slower total factor productivity growth. In economies with widespread indexation—such as Brazil in the 1980s—this dynamic becomes self-reinforcing: Automatic adjustment mechanisms cushion shocks in the very short term but entrench inflation and institutionalize uncertainty, fueling a vicious cycle of low investment and low productivity. This environment pushed businesses toward survival strategies—maintaining large inventories, adjusting prices frequently, and prioritizing rapid liquidity—rather than investing and expanding operations. As a result, the 1980s produced low and erratic real economic growth: Brazil's total gross domestic product (GDP) increase for the decade was just 18%, equivalent to a compound annual growth rate (CAGR) of 2.09% per year, as shown in Table 2.

The gravest consequence, beyond any macroeconomic indicator, was the erosion of confidence—the intangible asset that underpins social cooperation, investment, and credit. Shorter contracts, a preference for liquidity, informality, and defensive arbitrage all signaled an environment in which money had ceased to communicate intertemporal value. Democracy, stripped of any framework of limited government, frequently degenerated into competition for unfunded promises whose cost fell on society through inflation. Selling on credit could mean a loss, as the value received depreciated between the cash register and the bank deposit; suppliers and consumers responded by moving purchases forward and demanding earlier adjustments; to survive, merchants were forced to reprice daily, replacing any pretense of planning with sheer urgency.

Rio Grande do Sul (a state in Brazil) was one of the country's more significant state economies, as pointed out by Silva and Medina[7] in "Produto interno bruto por unidade da federação" (Gross domestic product per federative unit). At the time, this state had the fourth largest GDP in Brazil, as well as one of the highest GDPs per capita. However, it also had strong government interference in the economy, which was standard in Brazil at the time, especially with regard to state-owned companies in Rio Grande do Sul, such as Banrisul, CEEE, and CRT, which played a central role in credit, energy, and

TABLE 1. Monthly inflation in Brazil under the economic plans of the 1980s — Brazil

Plan	Start	End	Duration (months)	Previous inflation, 6 months (% per month)	Previous inflation, 3 months (% per month)	Inflation during (% per month)	Later inflation, 3 months (% per month)	Later inflation, 6 months (% per month)
Cruzado	March/1986	November/1986	9	13	14.4	1.5	12.7	16.1
Bresser	July/1987	September/1987	3	18.4	21.8	5.4	13.3	15.4
Summer	February/1989	April/1989	3	27.7	30.7	5.7	24.5	30.3

Data in monthly inflation rates (% per month).

Source: Adapted from Franco.[3]

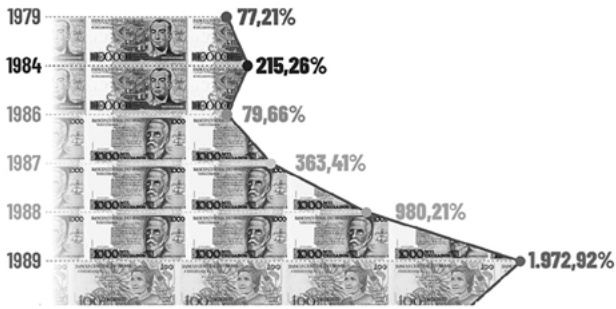

FIGURE 2. Annual inflation in Brazil in the 1980s.

Data in annual inflation rates (% per year).

Source: Adapted from Lacerda.[5]

TABLE 2. Annual variation in Brazil's GDP under the economic plans of the 1980s

Year	Annual GDP growth	Index (1980=100)
1980	—	100.00
1981	−4.4%	95.61
1982	0.6	96.16
1983	−3.4%	92.88
1984	5.3	97.78
1985	7.9	105.55
1986	8.0	113.98
1987	3.6	118.08
1988	−0.1%	117.96

GDP, gross domestic product. Data in growth percentages (% per year) and index variation.

Source: Adapted from IBGE.[6]

telecommunications, with tariffs and prices often used as a policy tool, accumulating implicit liabilities and postponing investments. In this context, in 1988, Porto Alegre elected Olívio Dutra, of the Workers' Party (PT), as mayor, whose administration began in 1989, inaugurating a cycle of PT administrations in the capital that consolidated programmatic hallmarks: an emphasis on social policies, growth of the public sector, and criticism of the privatization agenda. This trend was consolidating both Porto Alegre and Rio Grande do Sul as strongholds where the left was gaining growing political and cultural influence.

While Brazil persisted with palliative measures, the international picture was shifting decisively. The United Kingdom, whose prime minister was Margaret Thatcher, was implementing a comprehensive program of privatization, deregulation, and fiscal discipline. The United States was consolidating disinflation and promoting tax and competition reforms. Countries such as Chile and Mexico were advancing in trade liberalization, social security reforms, and integration into global chains. In 1989, the Berlin Wall fell and in 1987 Ronald Reagan delivered his historic speech (Figure 3): "General Secretary Gorbachev, if you seek peace, if you seek prosperity for the Soviet Union and Eastern Europe, if you seek liberalization, come here to this gate. Mr. Gorbachev, open this gate! Mr. Gorbachev, tear down this wall!"—which came to symbolize the exhaustion of actually existing socialism and reaffirm the limits of central planning in delivering innovation, efficiency, and material well-being. The contrast was evident: abroad, stable rules, competition, and international integration; domestically, freezes, market reserves, administered prices, and deficits in government and state-owned accounts, to the detriment of productivity and consumers.

Rights imply costs, and costs require priorities, transparency, and predictability: When institutional design avoids choices, the correction falls on the currency. In this sense, hyperinflation was the expression of an implicit choice to adjust public accounts through inflation, with regressive distributive consequences: It burdened wage earners, small businesses, and those who, due to the nature of their activity, maintained short-term monetary balances, a textbook illustration of the Cantillon Effect. All of this was made possible, however, by the cultural framework that dominated Brazil in the 1980s—one that delivered political openness without economic openness, and that never genuinely pursued a freer country.

FIGURE 3. Ronald Reagan in front of the Brandenburg Gate.

Source: Adapted from Rafferty.[8]

THE IEE, ITS EMERGENCE AND IMPACT

In Rio de Janeiro, Instituto Liberal (Liberal Institute) was founded in 1983 under Donald Stewart Júnior's leadership, as a direct challenge to that tide. In Rio Grande do Sul, the response to this cultural climate came with the creation of the Instituto de Estudos Empresariais (IEE) in 1984. In an intellectual environment marked by an interventionist and statist consensus, a group of 25 young people led by William Ling decided to challenge the status quo and the inertia of ideas and proposals, establishing an institute for the training of leaders committed to the principles of limited government, free market, ethics of freedom, budgetary responsibility, currency stability, democratic rule of law, legal certainty, and free competition. By the end of the decade, the Fórum da Liberdade had established itself as a public space for debating these ideas, offering a substantive counterpoint to the shortsighted solutions then plaguing Brazil.

The First Fórum da Liberdade, held in 1988 with a commitment to broadening public debate, took as its theme "Political, economic, and social issues in Brazil." Speakers included towering figures of Brazilian liberalism—among them Roberto Campos, who had a gift for making complex topics accessible, and Donald Stewart Júnior—alongside business leaders such as Jorge Gerdau Johannpeter, Roberto Bornhausen, and Jorge Wilson Simeira Jacob. From the outset, the Forum was positioned as a provocative event, with the invitation featuring a microphone and the title "With the word, freedom" on the cover (Figure 4).

Some colorful episodes also entered the historical record, according to the book *IEE: 30 anos formando líderes*[9] (IEE: 30 years of training leaders):[8] due to an episode involving the then governor of Alagoas, Fernando Collor, and Henry Maksoud. The owner of Visão magazine, after listening to the then "Maharajah Hunter," said: "If you become president with that speech, I'll move to Paraguay."After Collor's election, Maksoud was asked: "Didn't you say you would move to Paraguay if Collor won the election?" Maksoud's response: "I'm already in Paraguay."

At the close of the First Fórum da Liberdade, a letter was drafted summarizing the conclusions on the topic "Political, economic, and social issues in Brazil": Our country tomorrow will be what we make of it today. There is no manifest destiny. We will only be a great country if all of us, society, have the greatness to challenge our historical moment, breaking the chains that keep us tied to a past of backwardness and privilege, joining the group of nations that, by allowing their citizens to freely use their abilities, have achieved a level of development never before imagined.[9]

At the Second Fórum da Liberdade in 1989, the first year of free and direct elections after the military dictatorship, the theme was "The proposals of the candidates for the presidential succession in Brazil." The IEE organized the first debate between the candidates, including Mario Covas, Ronaldo Caiado, Luiz Inácio Lula da Silva, Leonel Brizola, and Roberto Freire. The future president and panelist from the previous year, Fernando Collor, withdrew the night before, as did Guilherme Afif

FIGURE 4. Invitation to the First Fórum da Liberdade.
Source: Adapted from IEE.[9]

Domingos, who did not attend. Despite the absences, the event was a success and was attended by over a thousand people.

LEGACIES AND LESSONS

The 1980s combined significant political advances with serious economic imbalances. The country regained civil and political freedoms, with competitive elections, a pluralistic press, and strengthened checks and balances. This framework restored legitimacy to the decision-making process and reopened the possibility of bringing state power under rules—a necessary condition for credible policies of stability and fiscal responsibility. The 1988 Constitution promoted the strengthening of control institutions and the rule of law, adopting a rights-based approach aimed at restoring fundamental rights suppressed during the military regime, particularly through the Institutional Acts, or AIs (above all the notorious AI-5). The Public Prosecutor's Office, the Courts of Auditors, the functional autonomy of control bodies, and the densification of guarantees were designed to increase legal certainty. Yet, as Frédéric Bastiat[10] argues in *The Law*, an unintended effect was to saddle the state with excessive bureaucracy. The effort to shield citizens from state overreach ended up fostering institutional leniency toward crime. In addition, the Constitution ended up, as mentioned earlier, bringing in various rights that would begin, from the 1990s onwards, to "take their toll."

Among the mistakes, the most costly was the insistence on heterodox and interventionist strategies to contain inflation: plans based on freezes, currency exchanges, and administrative controls, without addressing the fiscal origin of the imbalance. The

consequences were price disorganization, shortages, a black market, loss of confidence, and erosion of purchasing power, with regressive effects on wage earners and small businesses. Experience has shown that treating symptoms without addressing structural causes prolongs the social cost of adjustment—the opposite of what Javier Milei has done in Argentina, where the president openly acknowledged the short-term costs in order to secure a medium-term recovery.

The second mistake was clinging to a closed and statist economic model. High tariffs, market reserves (a prime example being the Lei de Informática [Information Technology Law]), directed credit, and political pricing in state-owned companies preserved inefficiencies, punished consumers, and delayed the incorporation of technology and capital formation. At a time when major economies were moving toward openness, privatization, and competition, Brazil clung to an arrangement that yielded low productivity and chronic supply shortages.

Finally, the decade consolidated the expansion of rights with strong budgetary rigidity and low fiscal accountability, in an environment of widespread indexation and monetary authority without operational autonomy. The result was a perverse coexistence of growing promises and a lack of clear financing, implicitly due to inflation, which shortened planning horizons, raised risk premiums, and disrupted the informational function of prices. In short, the 1980s, "the lost decade," left clear lessons: Political freedoms are a necessary but not sufficient condition; without a fiscal anchor, without a stable currency, and without competition, democracy tends to reproduce inflation as an "unlawful tax." Institutional reform opened the door; the rules-based economic agenda only gained full traction in the following decade.

The 1980s in Brazil can be read as an experience of partial freedom: Significant political advances accompanied by an economic pattern that eroded confidence and restricted choices. The conclusion, consistent with the proposed thesis, is that hyperinflation was the price of inconsistency: expanding rights without defining the means to finance them, tolerating deficits without due transparency, and resorting to currency as an escape valve. The liberal response is not a temporary expedient but a program of institutional discipline and principled commitment: fiscal rules that impose priorities, monetary authority committed to preserving purchasing power, protection of property rights, and a competitive environment that stimulates innovation and efficiency and, above all, fidelity to the non-aggression principle. Only on this foundation can democracy become substantive freedom—the kind that allows citizens to plan, invest, and cooperate with confidence. Only then would the price labeler—symbol of a decade—cease to register urgency and return, with sobriety, to recording value.

The outcome of 1989 ended one stage and pointed to the next. The international scenario reaffirmed the primacy of arrangements based on rules and responsibility. It was inescapable: Brazil's institutional reconstruction would require a monetary anchor and a minimum pact of fiscal sobriety—commitments that would only be made in the following decade. In Brazil, we were approaching a new political era, with the first direct presidential election after the military period, held on December 15, 1989,

with candidates of different ideological hues being represented for the first time in decades. The electorate regained the right to directly elect the head of the federal executive branch, but would that alone be enough to restore the path to prosperity and renew confidence in the currency, in ourselves, and in the future of the country?

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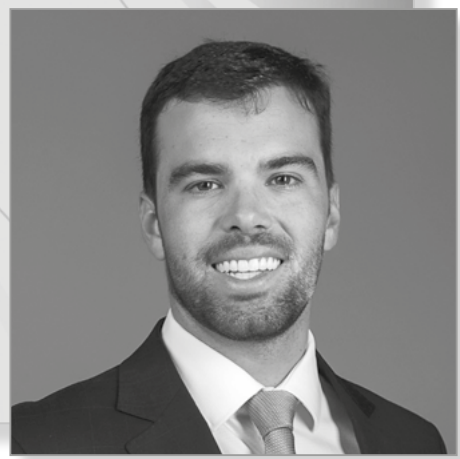

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SAUDADES IS WHAT REMAINS OF WHAT NEVER CAME TO BE: THE 1990s

INTRODUCTION

For nostalgia to surface, a certain distance in time is required. No one feels *saudade*—in the true sense of that uniquely Portuguese word—for something that happened just yesterday. Time needs to work on us, to erode what was once a sharp image, reminding us that past eras seem gentler precisely because they cannot be relived.

It has long been acceptable to feel nostalgic about the 1970s. To remember when color television arrived in Brazil, without sparking debates about the dangers of a new technology. To recall how that device made the canary-yellow jerseys of Pelé, Tostão, Jairzinho, and Rivelino shine even brighter. It was a time, many would say, when real soccer was played.

The 1980s also left plenty to reminisce about. Music lovers were swept up by the do-re-mi of Brazilian rock bands, while the early shape of what would become pop music emerged in the footsteps of Michael Jackson and Madonna. And those who didn't dance certainly celebrated the winds of Brazil's re-democratization, the fall of the Berlin Wall, and the policies introduced by Ronald Reagan and Margaret Thatcher.

And now, the 1990s have reached their nostalgic moment.

Families who spent their evenings gathered around increasingly vivid TV screens remember a time when those screens brought people together rather than pushing them apart. When jokes were judged on whether they were funny—measured simply by laughter. The humor and silly competitions of Sunday variety shows existed for entertainment alone. Those who didn't enjoy them complained merely about the waste of time, without feeling compelled to censure an unsuccessful host.

"Canceling" had only its literal meaning, and the verb did not take a human being as its object. One canceled *things*, not *people*.

Soccer fans had plenty to cheer for. Pelé had already retired, but he still shouted "É Tetra!" ("It's our fourth title!") beside broadcaster Galvão Bueno when Roberto Baggio sent the ball sailing over the goal at the Rose Bowl. Romário, Ronaldo, and Bebeto gifted Brazilians a World Cup title and a runner-up finish. Even though the loss to France left a bitter taste, anyone who followed our national team over the last five World Cups has every reason to feel nostalgic. I hope I'm wrong, but it seems likely that those watching the team in this year's tournament won't have much reason to feel otherwise.

If soccer shared the spotlight, the Brazilian heart beat even faster on Sunday mornings when the green-and-yellow helmet crossed the finish line as the checkered flag waved. Ayrton Senna rose as a national symbol. His victories over the top racing teams

made the country believe that, at least for a few moments, Brazil could be the best in the world. Until his early and tragic death on May 1, 1994, there wasn't a household that didn't erupt with the cry, "Ayrton Senna from Brazil!"

Those who didn't stop dancing listened to the rock of Oasis and the Red Hot Chili Peppers—bands that still fill stadiums today with crowds celebrating work from decades past. In Brazil, it may not have been the most prolific era for music, but the meteoric rise of the Brazilian band Mamonas Assassinas reminds us how lighthearted things could be when Brazilians were willing to laugh at themselves.

From a political perspective, there is no denying that the 1990s left behind a trail of failures that, given their melancholy, might be better forgotten—if the memory of defeats didn't also help paint an accurate portrait of the time.

Corruption scandals dominated the news. The "PC Farias case," which led to the impeachment of the first president democratically elected by direct vote in 29 years, and the "Budget Dwarves" scheme—when members of Congress exploited what are now massive parliamentary amendments to siphon public funds—remind us that if anything is constant in Brazil, it is corruption.

True to form, Brazil didn't miss the chance to miss an opportunity. Structural reforms were squandered precisely when the institutional environment was ideal for their approval. The already-essential pension reform was postponed; tax reform was shelved; the modernization of the state remained unfinished; and education deteriorated. We watched, without reacting, as a country that had once been safe turned into a paradise for armored cars.

Even so, the 1990s were not merely an inventory of political and institutional failures. Despite the crises and the opportunities lost, the decade delivered achievements that would shape contemporary Brazil.

It was the decade of the Real Plan, which tamed the inflationary dragon and restored Brazilians' sense of economic time; of the Fiscal Responsibility Law, which imposed limits on public overspending; and of trade liberalization and privatization, which profoundly reshaped the role of the state in the economy.

Unlike the 1980s—marked by protectionism and stagnation—the 1990s sketched out a structural shift. Monetary stability laid the groundwork for growth (modest though it was) and for a new place for Brazil on the international stage. Productivity began to recover, and the country, albeit unevenly, opened itself to global capital and ideas.

It is these transformations—more than the nostalgia of jingles or Sunday mornings—that justify the longing felt by those who saw Brazil finally begin to put its own house in order.

THE 1980s LEGACY

Anyone who woke up on Brazilian soil on January 1, 1994, opened their eyes to an exhausted country. Exhausted from hand-marked price tags and the invisible weight

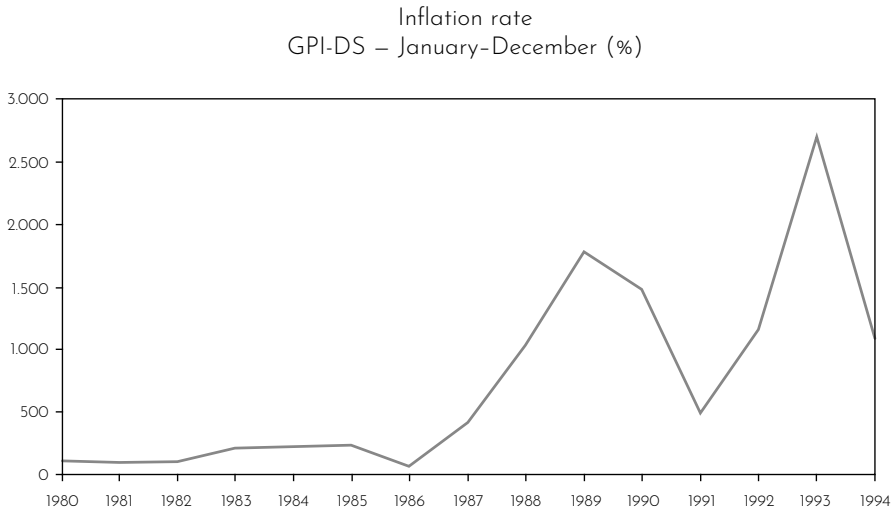

FIGURE 1. Inflation rate – 1980–1994.

Source: Pinheiro and contributors.[4]

that eroded the value of money even before salaries could make it to the end of the month. Over the course of the previous year, inflation reached 2,500%. Prices had increased, on average, 26 times in just 12 months, an unthinkable number that defies the notion of economic time (Figure 1).[1]

Prices changed in supermarkets more than once a day. Hyperinflation had become a national identity trait. The hope that the money in your wallet would be worth the same the next day had vanished.

By that point, Brazilians had already grown accustomed to the tragicomic ballet of currency changes: Switching the name of the monetary unit without altering the underlying plot. From the cruzado to the cruzado novo, from the cruzeiro to the cruzeiro real, the country stumbled through a series of failed stabilization plans. With each attempt, the state intervened more aggressively—freezing prices, manipulating indices, and sacrificing the credibility of its own economic policy.

Yet inflation's corrosive effects did not fall equally on everyone. Those with higher incomes could shield themselves through indexed financial investments—such as the famous overnight funds—while wage earners watched their paychecks lose value before they could be spent.*[2] Inflation, nothing more than an invisible tax, punished most

*Ludwig von Mises teaches that, at any given moment, different groups within the population are directly affected by inflation in different ways. For some, inflation is not especially harmful—indeed, they may even favor its continuation, since they are the first to benefit from it. As a result, certain groups effectively engage in direct exploitation, earning exceptional gains from the unequal way inflation spreads through the economy.

severely those least able to defend themselves.*[2] It is no coincidence that between 1990 and 1994, the share of poor Brazilians in metropolitan areas jumped from about 30% to 38%.[4]

Hyperinflation was more than an economic phenomenon; it was a moral and institutional breakdown. Instability eroded trust and made any kind of long-term planning impossible. Families lived with the sense that the future was not a project, but an emergency.

And if the economy resembled a field of ruins, the political landscape offered little comfort. Fernando Collor de Mello—elected president on a modernizing platform that promised to hunt down "maharajas" and defeat inflation—embodied the hopes of a generation eager for change.

The Collor Plan, implemented in 1990, delivered a heterodox shock of unprecedented scale.[5] Price freezes, the blocking of bank deposits, and the replacement of the currency were intended to cut the evil out at its root. As Jorge Caldeira[5] puts it, however, the president "resorted to the heterodox methods typical of the desperate."

Although the immediate effect was a brief lull in the inflationary dragon, the hangover came quickly. Inflationary surges soon returned to haunt the country, the economy plunged into a brutal recession, and public confidence evaporated along with the disappearance of savings accounts.[4]

The failure of the Collor Plan—considered "the most traumatic and controversial of all heterodox plans"—became yet another chapter in a long sequence of unsuccessful attempts.**[3] Even so, the episode left valuable lessons: a growing recognition that the fight against inflation would not be won through provisional measures, but through a broader restructuring of the state.

THE REAL PLAN

It is no secret—and no exaggeration—to say that the Real Plan freed Brazil from its most persistent affliction and stands as the greatest institutional achievement of the country's recent history.

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*One of the first battles that had to be fought in the attempt to implement the Real Plan was the argument that "inflation was neither necessary nor convenient for development." In the words of Gustavo Franco, "this was a conceptual battle that today seems trivial and settled, but which was of great importance at the time, when the thesis of the 'functionality' of inflation was still very strong." Even though it was a truism for a traditional economist, when Fernando Henrique Cardoso, in announcing the Immediate Action Program (PAI, Programa de Ação Imediata), stated that "inflation is a hidden killer"—alluding to its impersonality or the difficulty of naming its antagonists, as well as to the fact that it functioned like a tax—the minister struck a sensitive nerve and opened up new possibilities for society to understand the inflationary phenomenon and the fight against it (Franco, 2018).

**"The monetary reform of March 15, 1990, which became known as the Collor Plan, was the most traumatic and controversial of all the heterodox plans, none of which would make it so clear that a stabilization program applied in misguided doses could be far worse than the disease it was intended to cure" (Franco, 2018).

Although Gustavo Franco[5] frames the rise of sociologist and senator Fernando Henrique Cardoso to the Ministry of Finance as an event in which, borrowing from Machado de Assis, "fortune upends the calculations of nature," the success of the new stabilization plan was anything but a stroke of luck. It was a carefully staged design. Before the real could take the stage, the set had been meticulously prepared.*[3]

The first step involved restoring fiscal credibility by bringing public accounts into balance and controlling expenditures. Only with the state in order would it be possible to reorganize the rest of the economy.

Next came the creation of the Unidade Real de Valor (URV), a parallel, temporary, book-keeping currency designed to align prices and wages without breaking contracts or imposing artificial freezes. The genius of the URV lay in its simplicity: Every good and service was quoted simultaneously in cruzeiros reais and in URVs, allowing the economy, over a four-month transition, to grow accustomed to thinking in stable terms—as if it already lived under a new currency. When the transition was completed in July 1994, the conversion felt almost natural. Retroactive indexation—responsible for perpetuating inflation even after the original impulse had faded—was eliminated without the trauma of freezes or abrupt ruptures that had marked previous plans. For the first time in decades, the country witnessed an orderly adjustment anchored in credibility and technical rigor.

The new currency was born under the protection of an exchange-rate anchor and within a context of trade liberalization, which introduced real competition into the domestic market. As a result, inflation—long perceived as a genetic trait of the Brazilian economy— collapsed without pushing the country into recession. Stability began to coexist with growth, and Brazil experienced, for the first time in many years, the unfamiliar feeling of watching prices remain the same from one month to the next.

Although the Real Plan is often enveloped in an aura of miracle for stabilizing the economy's hyperactive prices, its lasting success rested on more than a single monetary measure. The decisive difference came from the subsequent effort to prevent government spending without prior revenue, including cuts to the state apparatus and further opening of the economy. The arbitrary methods and exceptional powers of the federal government began to be tamed.[5]

The real put an end to hyperinflation; the reforms that followed sought to bring Brazil into the twenty-first century.

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*Even while invoking a phrase by Machado de Assis, the architect of the Real Plan acknowledges that there was considerable reflection and preparation among the group of economists that gathered around the new minister, bringing with them the experience gained from the design and execution of the redesigned shocks of previous years, as well as new possibilities merely awaiting the right moment (Franco, 2018).

THE PRIVATIZATION PROGRAM AND TRADE LIBERALIZATION

The Brazil that entered the 1990s still carried the weight of a closed, corporatist, inward-looking economy. Since the 1970s, globalization had ceased to be a choice and had become an inevitability. The countries that thrived were those able to integrate into new production networks, foster competitive firms, and abandon the old state-owned monopolies. Remaining isolated meant condemning oneself to obsolescence—and for years, Brazil chose solitude.

Beginning in 1990, however, this picture started to shift. The country embarked on a slow but deliberate process of unmooring. It was necessary to break with the logic of the state as entrepreneur and make room for private actors in sectors previously reserved for the public administration. This pivot required constitutional reforms, modern regulatory frameworks, and—above all—political courage to confront deeply rooted resistance. The ensuing trade liberalization and privatization program were not simply economic measures; they were part of a broad effort to modernize institutions and open Brazil to the world.[5]

One of the sectors that most symbolized this transition was telecommunications. In 1994, having a landline was still a privilege, and data transmission depended on the slow machinery of a state-owned monopoly. The privatization of the system coincided with the rise of the internet and mobile telephony. In less than a decade, Brazil went from a country where people waited in line for a phone connection to one of the world's largest mobile-user bases.[5]

Another emblematic case was Companhia Vale do Rio Doce. Privatized in 1997, the company shed its status as a state appendage and transformed into a global mining powerhouse. What had once been a regional arm of the government became one of the largest multinational corporations to emerge from Brazil. The episode captured the spirit of the decade: less tutelage, more dynamism.

These advances did not erase Brazil's structural problems or the contradictions that would continue to challenge the country in subsequent decades, but they did inaugurate a new development paradigm. Trade openness, monetary stability, and a redefined role for the state repositioned Brazil on the map of economies engaged with the world.

In just over a decade, a country once synonymous with inflation, inefficiency, and protectionism began to experience a democracy capable of combining stability with economic development. And if there is anything worth feeling nostalgic about from the 1990s, it is precisely that sense that Brazil, for a moment, seemed to have rediscovered its path.

LEGACIES AND LESSONS

Three decades later, Brazil seems to have forgotten the lessons of the 1990s. The state is once again expanding in a disorderly manner, taking on functions that do not belong to it and compromising its own ability to govern. Public spending returns disguised

as social policy, while fiscal balance—an elementary condition of any development project—is treated as a superfluous detail.

Old vices are being revived under new banners, as if recent history had not demonstrated the price of irresponsibility.

The monetary stability that was once the achievement of generations now seems to be sustained by force through one of the highest real interest rates on the planet. Instead of a lean and efficient state, a heavy, expensive, and ineffective apparatus once again prevails, stifling private initiative and discouraging investment. The country is once again flirting with—and falling in love with—improvisation and facile rhetoric.

The 1990s leave a singular nostalgia, not only for the music, the idols, or the feeling of modernity that visited us then, but above all for the rationality that has been lost. Those were times when Brazil seemed willing to learn from its own mistakes and build a future based on solid institutions.

Today, all that remains is the memory of a country that, for a few moments, believed in progress grounded in liberal principles. After all, *saudades* is what remains of what never came to be.

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OLAVO DE CARVALHO IN FOCUS: HIS IMPORTANCE TO THE RESISTANCE AGAINST THE LEFT BETWEEN 2000 AND 2010

INTRODUCTION

The philosopher, teacher, columnist, journalist, and—perhaps most famously—polemicist Olavo de Carvalho cannot be described as a liberal. This is the first point that must be established in this article, which, after all, is part of the *Pensamentos Liberais* Series.

However, the differences between Olavo de Carvalho's ideas and liberalism do not necessarily mean that his life and work failed to serve the liberal cause, as will be discussed later.

In this sense, the present article does not attempt to soften the philosopher's views, "sugarcoat" his teachings, relativize the controversies in which he was involved, or persuade anyone that Olavo de Carvalho was a liberal. The author is fully aware of the differences between Olavist thought and the philosophical tradition inherited from Adam Smith and John Locke.

So what, then, is the purpose of this article? First, it is to remind the broader right—lato sensu—and liberals in particular, that politics is done by adding, not subtracting. Those who divide themselves are more easily conquered, as the famous phrase attributed to Emperor Julius Caesar makes clear ("Divide and conquer"—Divide et impera).

Political action cannot be a purification ritual in which individuals are excluded depending on how closely their conclusions align with what we consider ideal.

The author also believes no great digression is needed on this point (regarding the importance of listening even to those who differ), given that—even without being a liberal—Olavo de Carvalho was invited to more than one Fórum da Liberdade, including in 2004 and 2019.

The second objective of this article is to highlight the need for unity among those on the so-called "right," so that they may first block the opposing side (the left) and only then have the conditions for any internal disagreements or debates.

Indeed, it is evident that liberals, as part of a broader right, must first confront the left—also taken broadly—before affording themselves the luxury of debating whether the best path is liberal, libertarian, conservative, or any other variant on that side of the spectrum.

Thus, it is undeniable that the philosopher Olavo de Carvalho made a contribution to the "right-wing" cause in Brazil, serving as a dissenting voice against the dominant discourse of the left, which prevailed during the period of redemocratization and reached its peak between 2000 and 2010.

It is also undeniable that the greatest legacy of Olavo's trajectory—before the controversies and before his essays—was his opposition to left-wing thought, to the São Paulo Forum, and especially to the Workers' Party.

Therefore, this article will examine how the philosopher Olavo de Carvalho helped maintain a distinction between reality and left-wing aspirations, as well as raise the question of how many liberals, right-leaning individuals, and anti-left thinkers were only able to emerge because that segment survived—largely due to the resistance that the philosopher in question offered to left-wing thought in the intellectual sphere.

HISTORICAL CONTEXT

Olavo's battle against left-wing thought did not begin—nor is it limited to—the period between 2000 and 2010. Perhaps the author's main work in the political field, against left-wing ideas, was the book *O imbecil coletivo*,[1] first published in 1996.

In that book, his main contribution was identifying in Brazil the advance of Gramscian ideas and the cultural revolution that the left had set in motion. He "engages" with various left-wing thinkers, journalists, and professors in an attempt to expose what he described as the capture of the intellectual elite by the left and the collectivization of thought.

However, it was during the years 2000 to 2010 that this left-wing orientation reached its peak, including in politics. This period marked the beginning of the Workers' Party's dominance in the presidency, with four consecutive terms and with President Luiz Inácio Lula da Silva publicly celebrating the fact that the 2010 election would be the first in which there would be no right-wing candidates in the race.

According to Lula: For the first time we will not have a right-wing candidate in the campaign. Isn't that fantastic? Is there any greater achievement than having a campaign with no right-wing candidate? Because in the old days, how were campaigns? It was the center-left or the left against the right-wing troglodytes. That's how every campaign was. […] It [the campaign] already started getting better with me and Fernando Henrique Cardoso. The level was higher. Then it was me and [José] Serra as well.[2]

In other words, the "scissors theater," which began long before the historical period analyzed here, reached its peak precisely in the 2010 election. At that time, there was little discussion of liberalism or conservatism, and the right was effectively excluded from the electoral process.

There were no last-minute polemicists, no right-wing influencers, no *hashtag politicians* (deputies who act only through hashtags) interested in defending the majority of the population, which polls indicated to be right-leaning.

The political class, sustained by the collective imbeciles diagnosed in the 1990s, nearly extinguished the right wing. However, this did not happen with Olavo de Carvalho, who remained firm in his positions, despite the personal cost—financial, professional, and reputational. Olavo was removed from newsrooms, excluded from publishing houses and most debate circles (not from the Fórum da Liberdade, as mentioned earlier), and even left Brazil—a wise decision, as he would certainly have been persecuted by the system in his final years had he stayed.

Amid all this leftist domination, Olavo did not shy away from upholding the line of reality, nor from shouting—often alone—about the machinations of the left, as we will see below.

THE SÃO PAULO FORUM

For many years, Olavo de Carvalho was a figure of ridicule for denouncing the São Paulo Forum as the main catalyst for the continental organization of the left. Even among people who identified as right-wing, the Forum was ignored, treated as a conspiracy theory—something that, even if (hypothetically) true, would be irrelevant.

Olavo, however, had already denounced it in his article "Lula, réu confesso" ("Lula, Self-Confessed Defendant"): This entity intervenes actively in the internal politics of various Latin American nations, making decisions and determining the course of events outside any oversight by governments, parliaments, the judiciary, or public opinion.[3]

Over the years, however, it became impossible to ignore: It is through the São Paulo Forum that the Latin American left organizes itself, structures actions on a continental scale, and celebrates its victories.

Not by chance, more recently, the Forum—which was once dismissed as a conspiracy theory—began to be mentioned even in major newspapers: Among the Brazilian parties that are part of the entity are the Workers' Party (PT); the Democratic Labour Party (PDT); the Communist Party of Brazil (PCdoB); and the Brazilian Communist Party (PCB). Also included are organizations such as: the Communist Party of Cuba, led by President Miguel Díaz-Canel; the Sandinista National Liberation Front, led by Nicaragua's President Daniel Ortega; the United Socialist Party of Venezuela, led by President Nicolás Maduro; and the Movement for Socialism, led by Bolivia's President Luis Arce.[4]

The São Paulo Forum is not a political entity in the sense of a formal party. But it brings together various parties from Brazil and other Latin American countries. In this way, even if indirectly, the Forum has some political influence. It is important to remember that Brazil is currently governed by one of the Forum's founders, Luiz Inácio Lula da Silva.

Evidently, after the narrative that the São Paulo Forum was nothing more than fiction became untenable, the mainstream media was left to sugarcoat the pill and try to advance other "conspiracy theory" narratives, as the newspaper *Estadão* did in a 2023

article, when it treated the following with astonishment: The São Paulo Forum is often cited in disinformation content, especially that produced by right-wing and far-right groups. The group has been accused, for example, of being a "terrorist organization" and of being the link between Colombian drug trafficking and the Workers' Party.[5]

In fact, this "theory" exists, and it is not new. Olavo de Carvalho himself wrote the following in an article in *Zero Hora* in 2002: "That there is a political connection between Hugo Chávez, Fidel Castro, the FARC, and the Brazilian left, for example, is something that no one can deny."[6]

Such statements, treated as absurd even in 2023, become much more credible in 2025, when Hugo Carvajal (El Pollo), former head of intelligence in Venezuela, pleaded guilty to drug trafficking and narco-terrorism in the United States and, "among those who benefited, he mentioned Lula in Brazil, Néstor Kirchner in Argentina, Evo Morales in Bolivia, Fernando Lugo in Paraguay, Ollanta Humala in Peru . . . "[7]

In other words, something that is now recognized as a significant force within the left—at least as identified by the right—was foreseen by Olavo de Carvalho, who for a long time stood alone in fighting this organization.

"IT'S THE CULTURE, STUPID!"

"It's the economy, stupid!" is a phrase attributed to James Carville in 1992 during Bill Clinton's presidential campaign, coined with the intention of reminding people of the importance of the economy for the popular vote.

This reality, however, no longer persists (if it ever really did). The left discovered, thanks in large part to the Frankfurt School and Gramscianism, that reality—and I include the economy in this—is secondary when it comes to dominating the masses.

According to the lessons of Roger Scruton's excellent book,[8] *Fools, Frauds, and Firebrands*, the left knows that it has lost the battle in the material (economic) field, and has been forced to seek other means.

Olavo de Carvalho himself, in his article "Who invented Brazil?" published in 2006, had already credited Ludwig von Mises with victory in the economic domain, but warned that this would not be enough: If all means of production are nationalized, there is no market. Without a market, products have no prices. Without prices, prices cannot be calculated. Without price calculations, there is no economic planning. Without planning, there is no nationalized economy. . . . There has never been and never will be a communist economy, only a camouflaged or perverted capitalist economy, good only for sustaining a gang of politically fashionable leeches. Since Ludwig von Mises explained these obvious facts in 1922, many consequences have followed.[3]

In its place, a militant left emerged in the fields of gender, sexuality, ethnicity, the arts, and, in short, culture as a whole. And in Brazil, few people noticed this, and even fewer denounced this movement, which became so decisive for national politics.

Olavo de Carvalho, in turn, was there, taking on the difficult task of trying to demonstrate this new facet of the left—the so-called "cultural Marxism," which today is a common term on the right but for many years was treated with skepticism. In 2009,

in the article "A fonte da eterna ignorância," Olavo wrote:[3] for years I have been trying to draw the attention of our business, political, and military elites to the phenomenon of Brazilian cultural degradation, but I do not believe I have yet succeeded in making them see the real dimension of the problem—especially because the elites themselves are the first victims of it, and there is nothing more difficult than making someone become aware of their own progressive unconsciousness. It is like trying to stop a fall in mid-air. To begin with, the word "culture" already evokes, in the minds of this audience, the wrong idea. "Culture," in Brazil, means above all "arts and entertainment"—and the arts and entertainment, in turn, are reduced to three functions: giving a good amount of money to those who produce them, entertaining the masses, and serving as a sounding board for political propaganda. That culture should also make people more intelligent, more serious, more adult, more responsible for their actions and words is an expectation that vanished from the national consciousness long ago. If the artist fulfills the three functions above, nothing more is required of him, not even to guarantee him the label of genius.[3]

Let us see how Olavo already identified—and in part predicted—what would become the Brazilian artistic class: (1) earning money; (2) limiting itself to entertainment; and, above all, (3) serving as a sounding board for political propaganda.

But obviously, the problem goes far beyond the simple corruption of contemporary artists. The real problem, denounced since the beginning and still poorly understood today, is that the right offers few cultural solutions to Brazil's problems. Many of the achievements celebrated by the right over the years (the Real Plan, the macroeconomic tripod, the spending cap, the pension and labor reforms, among others) took place only in the economic field and did little to counter the left-wing wave in the cultural sphere.

Olavo already gave an answer in 2003, in his article "O orgulho do fracasso": Language, religion, and high culture are the only components of a nation that can survive when it reaches the end of its historical duration. They are universal values, which, because they serve all of humanity and not only the people where they originated, justify that they be remembered and admired by other peoples. The economy and institutions are only the local and temporary support that a nation uses to continue living while it produces the symbols in which its image will remain after it no longer exists. . . . For this reason, these elements—most distant from all economic interests—are the only guarantees of success in the material and practical field. Every people strives to master the material environment. If only some achieve success, the difference, as Thomas Sowell demonstrated in Conquests and Cultures, lies mainly in "cultural capital," the accumulated intellectual capacity that mere struggle for life does not provide, and that develops only through the practice of language, religion, and high culture.[3]

In other words, the few (though relevant) achievements of the right in the economic and material field did nothing to keep the Workers' Party out of power after the hiatus represented by Michel Temer and Jair Bolsonaro. Nor will the economic "missteps" of the PT government, such as a flawed tax reform and the exponential increase in the drive for revenue, be enough to alert the population to the dangers of the left.

THE "SCISSORS THEATER"

Today, it is difficult to believe that the right in Brazil was once (or at least felt) represented by the Brazilian Social Democracy Party (PSDB), and that the party of "Social Democracy" was the only electoral hope available to those who identified as "right--wing." This dynamic, now commonly referred to as the "scissors theater," kept many right-leaning political actors in the country misled for a long time—but not without warnings from the figure examined in this article.

In June 2002, therefore even before Luiz Inácio Lula da Silva climbed the ramp of the Palácio do Planalto, Olavo de Carvalho was already warning about what he described as the left's broader strategic approach: Thus, everyone has already forgotten that PT and PSDB were essentially creations of the same group of left-wing intellectuals committed to applying in Brazil what Lenin called the 'scissors strategy': dividing the political space between two left-wing parties—one moderate, the other radical—in order to eliminate all conservative resistance to the advance of left-wing hegemony and to shift the entire range of political possibilities toward the left.[3]

This specific topic shows, once again, what the article's subject considered his anticipatory insight: Even amid the disorder of contemporary politics, he tried not to be blinded by what he viewed as left-wing strategies, choosing instead to denounce them in an effort to preserve some form of right-leaning movement in the country.

LEGACIES AND LESSONS

The political writings of philosopher Olavo de Carvalho are striking in their foresight. This was the case with his book *O imbecil coletivo*,[1] published in 1996, and with the articles he published throughout his life.

As seen from some examples cited in this article, Olavo was able to denounce and predict, decades in advance, how the left was moving—even though the facts were all contemporary with his analyses, at a time when the internet was still in its infancy.

Looking back at the period between 2000 and 2010, which, as mentioned earlier, was the most hegemonic for the left in Brazil—and when it laid the foundations that sustain its power to this day—the philosopher's participation in public debate becomes even more relevant.

Regardless of one's personal views on Olavo de Carvalho (who, understandably, has never been very palatable), anyone who rejects leftist ideas owes him a small nod of gratitude for his resistance during a period when being right-wing was practically political suicide.

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THE SEESAW - HOW WE SWUNG BETWEEN HELL AND HEAVEN, 2010-2020

INTRODUCTION

The 2010s opened with Dilma Rousseff's inauguration. She had won the election the previous year, riding in Lula's shadow: He had managed to install his Chief of Staff—little more than a figurehead—as his successor. The victory rested on the supposed "economic miracle" of the Lula years. Between 2006 and 2010, during his second term, gross domestic product (GDP) grew at an average of 4.5% per year, buoyed by a favorable commodities market—commodities that Brazil produces and exports in abundance.

The Workers' Party's (PT) governments, however, treated cyclical, non-recurring revenues as permanent income. They inflated state spending accordingly, funding social programs, income redistribution, and projects that delivered no return—chief among them "Science without Borders," which financed university students to study abroad under the supposed goal of advancing Brazilian science. In practice, it became a government-funded travel grant. Students went abroad on the public dime, skipped classes, failed their courses, and faced no consequences whatsoever. It was a veritable bonanza.

Once the commodity boom ran its course and revenues fell, the bill came due. Inflation climbed, and the fiscal position began to deteriorate. The Central Bank launched a contractionary rate cycle that lasted until almost the end of 2011, when Dilma strong-armed a change in Central Bank leadership and pushed interest rates down—even as economic fundamentals demanded exactly the opposite (Figure 1). The crisis was now well underway. That artificial rate suppression between 2011 and 2013 ultimately forced rates above 14% in the years that followed. With firms shedding workers and prices rising, Brazil had become a powder keg.

THE BREAK

The trigger was almost farcical: a bus fare increase. In June 2013, what began as a localized protest against a mere twenty-cent hike spread into a national uprising. Millions took to the streets. The din was a symptom: the country had had enough.

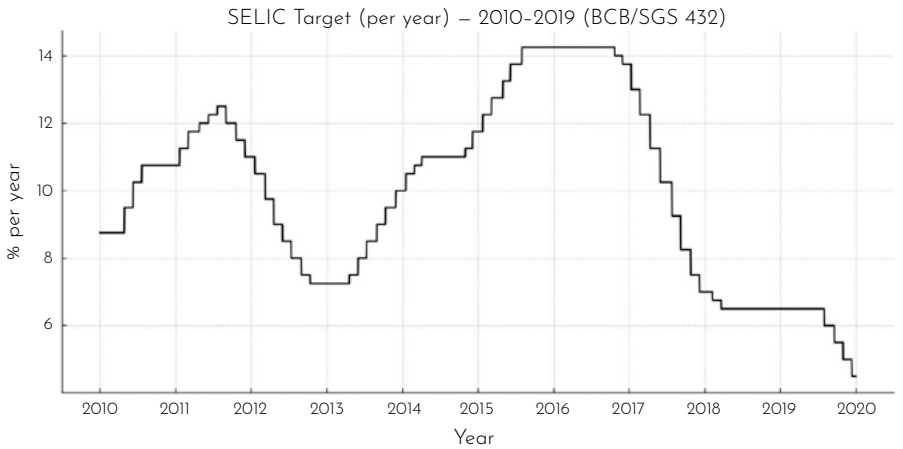

FIGURE 1. Interest rate cycle in Brazil.

Source: Prepared based on data from the Central Bank of Brazil.[1]

While the government spent billions building World Cup stadiums, citizens questioned the legitimacy of those contracts and watched their purchasing power erode under galloping inflation, jobs grow scarce, and public services deteriorate.

The anger extended beyond corruption to encompass a failed model that had promised much and delivered nothing (Figure 2). On Paulista Avenue in São Paulo, the ideological confusion was palpable: Office workers applauded protesters from their windows while the Military Police moved against the more radical *black blocs*. The federal government drew the bulk of public fury and was widely seen as the primary driver of a deepening crisis of representation.

THE ECONOMIC DENIALISM CALLED NEW ECONOMIC MATRIX

Much of the decade was consumed by the rise and collapse of what the left branded the New Economic Matrix (NEM). The policy broke sharply with the paradigms established since the Real Plan—above all, the macroeconomic tripod of a floating exchange rate, an inflation target, and a fiscal target.

The NEM sought to drive growth through direct state intervention. Its core measures included cutting the Selic rate, keeping the exchange rate artificially weak to boost exports, granting tax breaks to industry, and expanding credit aggressively through the National Bank for Economic and Social Development (BNDES). Among its most notable moves was a decree slashing electricity prices—a populist gesture that only deepened fiscal deterioration.

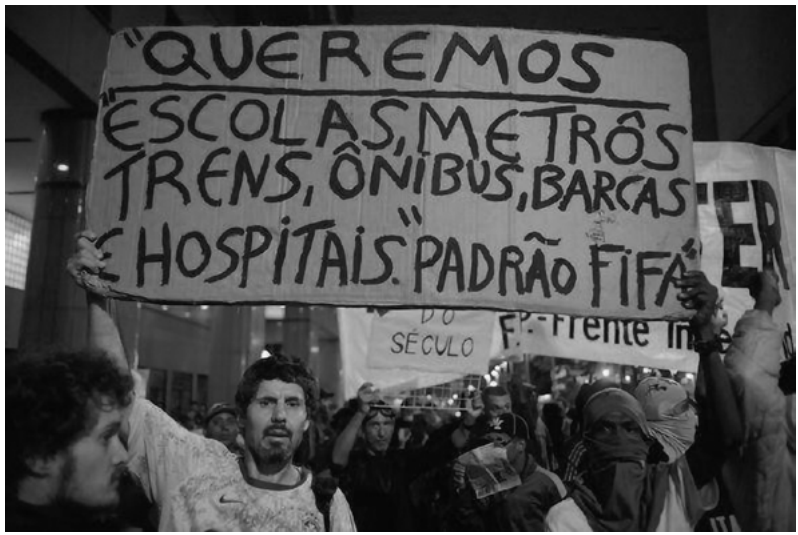

FIGURE 2. Protests in 2013. The sign says "We want Fifa-standard schools, subways, trains, buses, boats, and hospitals."

Source: Arcary.[2]

Even with economic pressure, the government doubled down and, to ensure Dilma's reelection, opened the floodgates of populism even further through welfare programs—and, in a heated contest, secured her reelection. However, the bill would come due.

The result was the severe, prolonged recession of 2015–2016, with GDP shrinking at an average annual rate of 3.7%. Inflation surged—especially after the post-2014 election energy price shock sent it into double digits. Unemployment exploded, hitting more than 11 million Brazilians. The General Government Gross Debt (GGGD) soared from a low of 51.27% of GDP in 2011 to a record 86.94% in 2020. That is the real, unsustainable cost of statism. This kind of uncontrolled spending is what economists call crowding out: The state absorbs capital that would otherwise be invested productively by the private sector. The NEM's failure was not a technical mistake; it was an ideological disaster that stoked the political crisis and drove the country toward impeachment.

OPERATION CAR WASH

Against this backdrop, Operation Car Wash erupted. It began as an investigation into a corruption and money-laundering scheme at Petrobras: Former Supply Director Paulo Roberto Costa was arrested on suspicion of concealing documents and siphoning funds. By November 2014, the case had expanded to an exponential

scale, striking major national contractors—Camargo Corrêa, OAS, Queiroz Galvão, and Odebrecht—head-on.

The confession soon followed: Lobbyist Augusto Mendonça Neto admitted to paying up to R$ 60 million in bribes to former director Renato Duque. Car Wash was not merely uncovering corruption; it was exposing an entrenched, professionally run system. Odebrecht, for instance, maintained a "Structured Operations Department"—the infamous kickback division—with delivery logistics in major capitals and offshore structures abroad.

In 2015 the scandal deepened and took on institutional dimensions. Nestor Cerveró, former head of Petrobras's international division, was arrested in January. In February, then-Petrobras president Graça Foster resigned after the company tallied corruption-related losses of R$ 88.6 billion.

Petrobras had been riding a golden age just years earlier, following the discovery of pre-salt oil reserves. Corruption and political meddling reduced it to the most indebted company in the world. The Workers' Party nearly achieved the remarkable feat of bankrupting a firm with a monopoly over Brazil's richest oil basins.

Former manager Pedro Barusco estimates the Workers' Party received between US$150 million and US$200 million in kickbacks. In March 2015, the Federal Supreme Court (STF) authorized the investigation of 47 politicians. The political peak arrived in 2016, as new phases of Car Wash kept advancing: Carbono 14 (which landed former PT secretary Silvio Pereira in custody) and Vitória de Pirro (which arrested former senator Gim Argello). The investigation also reached into financial markets, exposing offshore accounts.

The sharpest moment of tension came in March 2016. With Lula's arrest imminent—following Deltan Dallagnol's formal indictment (Figure 3)—President Dilma

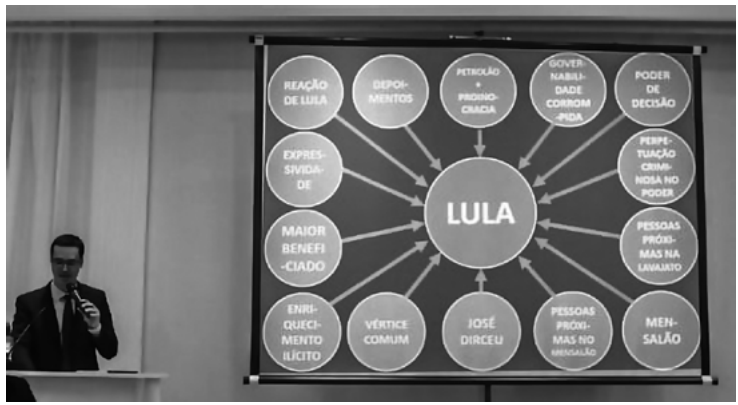

FIGURE 3. Famous photograph of the presentation in which then-federal prosecutor Deltan Dallagnol presents charges against Lula as the head of the corruption scheme. Lula would be arrested as a result of the charges.

Source: Scardoelli.[3]

Rousseff named him Chief of Staff. The appointment lasted a single day and had an unmistakable purpose: to grant Lula special jurisdictional status, shifting his case to the STF and shielding him from Judge Sérgio Moro.

The appointment ignited national outrage, further fueled by an audio recording that the courts allowed to leak. In it, Dilma tells Lula she is sending him the letter of appointment to be used "if necessary"—a phrase the prosecution task force read as a deliberate move to protect him from arrest. The recording dominated the news cycle for days, triggering waves of pot-banging protests across multiple cities and crowds massing outside the Planalto Palace. Dilma's government had reached its breaking point.

The compounded weight of the PT governments' brazen corruption, economic disaster, and popular fury brought down the "presidAnta."* The impeachment process rested on the so-called "pedaladas fiscais"—budgetary sleights of hand with public accounts that virtually every previous president had employed as well. But patience had run out, and the impeachment succeeded.

In July 2017, Lula was sentenced in the first instance by Judge Sergio Moro to 9 years and 6 months in prison for the Guarujá triplex case, accused of passive corruption and money laundering. In January 2018, the conviction was upheld, and the sentence was increased to 12 years and 1 month by the Federal Regional Court of the 4th Region. Judge Sérgio Moro issued the arrest warrant in April 2018, and Lula surrendered to the Federal Police and was taken to prison in Curitiba, where he remained for 580 days.

REFORMS THAT ALLOWED US TO BREATHE

Michel Temer inherited the presidency in the depths of a recession and with disapproval ratings above 80%—among the worst in recent Brazilian history. Despite the political chaos and his thin popular mandate, Temer showed institutional courage: He imposed fiscal austerity and pushed through the most consequential liberal reform agenda the country had seen in decades, anchored in the principles of fiscal responsibility and economic liberalism.

These years represented the high-water mark of liberal-principle adherence in Brazilian governance, reversing the statism and interventionism of the NEM era. Key measures stemmed the fiscal hemorrhage and laid the groundwork for recovery:

- *Constitutional Amendment on the Spending Cap (EC No. 95/2016):* This measure was a fiscal imperative that created a limit on the growth of federal spending, crucial to reversing the escalation of the GGGD, which had reached record levels of fiscal irresponsibility. Under the ceiling, public spending could only increase in line with the previous year's inflation.[4]

*PresidAnta is a derogatory portmanteau of "presidente" and "anta," meaning tapir or fool.

- *Labor Reform (Law No. 13,467/2017):* Seeking to modernize the labor market, the reform made labor relations more flexible, valuing negotiated agreements over legislation. This measure aimed to end the "labor lawsuit industry" and sought to boost the business environment.[5]
- *Beginning of Pension Reform:* Although the complete reform was only approved by the following administration, Temer administration began discussions on Proposed Constitutional Amendment (PEC) No. 287/2016,[6] paving the way for the indispensable correction of social security.

Jair Bolsonaro's administration (2019–2020) rose into a political vacuum, propelled by an anti-corruption narrative and a wave of anti-PT sentiment. Though Bolsonaro had historically championed statist policies and military corporatism, he adopted a liberal economic agenda as a pragmatic bid for financial market support, carrying forward the reform program his predecessor had begun.

The pivot's driving force was the appointment of superminister Paulo Guedes—a University of Chicago–trained economist with a career in finance. Guedes held the combined portfolios of Finance, Planning, Development, Management, and Foreign Trade, putting economic policy in the hands of a technically competent, liberal--leaning team. That a government born of political and social crisis managed to absorb and push through an unpopular, technically demanding reform agenda stands as one of its most significant legacies. The main measures and outcomes of its first two years were:

- *Pension reform (EC No. 103/2019):* Approved in November 2019, this was a fundamental milestone in the pursuit of long-term fiscal sustainability. The reform increased the minimum age and contribution period, aiming to reverse the actuarial deficit and ensure the sustainability of public accounts.[7]
- *Fiscal improvement:* The government showed positive results in terms of fiscal austerity, achieving a reduction in the GGGD in 2019, which fell to 75.8% of GDP.

THE FAILURE OF THE JUDICIAL SYSTEM AND THE ARRIVAL OF THE PANDEMIC

The decade closed on two fronts that exposed Brazil's institutional fragility: the unraveling of Operation Car Wash and the arrival of Covid-19. Lula's release in November 2019—following the Supreme Court's ruling that second-instance imprisonment was unconstitutional—was the clearest early signal that the operation was running out of steam.

That ruling crystallized a pattern of legal instability that has long plagued Brazil. The problem runs deeper than impunity: STF's 2021 decision—declaring the Curitiba court incompetent to try Lula and nullifying his convictions—exemplifies the "zigzag" jurisprudence that makes legal certainty impossible and leaves the rule of law perpetually unsettled (Figure 4).

FIGURE 4. Cartoon by Zé Dassilva marking the end of Operation Car Wash, when the Federal Supreme Court (STF) released Lula, and Bolsonaro simultaneously declared that there was no longer any corruption in the federal government. The tombstone reads "Here lies Operation Car Wash."
Source: Dassilva.[8]

Car Wash had exposed structural corruption, but in doing so it also laid bare the politicization of the judicial system. In the end, 42% of Brazilians believed it had been shut down through "pressure from politicians." That sentiment speaks to something liberals have long argued: Corruption is a symptom of weak institutions and a rule of law too fragile to check the abuse of power.

The arrival of Covid-19 in 2020 illustrated what Daniel Kahneman calls the "availability cascade": Public panic triggered by a high-visibility event drives irrational resource allocation and disproportionate policy responses.

The health crisis handed the state a perfect justification for expansion that the emergency did not strictly require. Judges and governors displayed authoritarian instincts, forcing business closures and arbitrarily deciding what counted as "essential."

These interventions amounted to an assault on economic freedom and private property—the very principles that drive growth. Rule by executive decree undermined the fragile economic recovery and wiped out the social and economic capital so painstakingly rebuilt through reform after years of fiscal recklessness and corruption.

Power dressed as emergency put economic freedom in jeopardy and drove unemployment to 14.6% by September 2020. From a liberal standpoint, the crisis leaves behind a nation whose institutional corrective efforts were hollowed out by judicial instability, then punished by the social control and economic intervention that exploited the pandemic as cover.

LEGACIES AND LESSONS

The decade of the 2010s ended amid uncertainty. We began with the euphoria of artificial growth (2010), collapsed into the fiscal and moral crisis caused by statism and corruption (2013–2016), and had a brief glimpse of hope with the reform agenda and the promise of austerity (2016–2019). However, that hope was sharply confronted by the weakening of the rule of law (with the release of convicted individuals and the politicization of the Judiciary) and, later, by the final blow of the pandemic (which served as a pretext for increased state coercion and the erosion of economic freedom).

Brazil once again found itself on the edge of the abyss. The crisis was not only economic or sanitary; it was, above all, a crisis of principles. The country, which had fought to impose limits on the state (the spending cap), saw the Judiciary itself and regional executive authorities use the crisis as a blank check to impose unprecedented restrictions and arbitrarily determine the fate of businesses and individuals.

The hardest lesson the decade left us is that freedom is a value that must be earned and defended in every generation, in every struggle. The question is not whether Brazil can work, but whether we will have the courage to choose the path of freedom, even when fear, easy narratives, and authoritarianism present themselves as solutions. The question that echoes as we look back at the chaos of 2020 is: How do we reignite the flame of hope in a country where the law seems to bend before the powerful and the state is the first to violate freedom? Is it possible to extract a prosperous future from the barren soil of disillusion?

The year 2026, an election year, cannot be only the year of courage to choose; it will also require the courage to begin again: the courage to reject authoritarianism, to demand the full restoration of the rule of law, and to persevere in building a freer country, even as the desolation of the past insists on paralyzing us. Brazil has a path, but the future demands that we take action today against the temptation of inertia and reaffirm, with unwavering conviction, the imperative of freedom.

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THE AGE OF NARRATIVES: WHEN SPECTACLE DEFEATED REASON

> Groups have never longed for the truth. They demand illusions and cannot live without them. They constantly give precedence to what is unreal over what is real; they are influenced almost as strongly by what is false as by what is true. They show an evident tendency not to distinguish between the two.[1]

Groups, with their natural inclination toward irrationality, bend to words that touch their hearts, not to reason. Masses are strongly driven by intense stimuli and lose interest in what is excessively logical and factual. A convincing speech grounded in morality stands out more than one grounded in logic, because people are not moved by coherence and efficiency, but by what appears morally right to their feelings. Brazilians, even more than other peoples, have an emotional temperament and behave as true beings of the heart in public matters, with social relations rooted in affectivity rather than in the institutional and impersonal rationality that a liberal democracy requires. Sérgio Buarque de Holanda[2] wrote that the Brazilian people possess "a singularly energetic emphasis on the affective, the irrational, the passionate, and a stagnation—or rather a corresponding atrophy—of the ordering, disciplining, rationalizing qualities."

The international context, intensifying this trait, is living through a moment in which narratives have become the main instrument in the struggle for power, in a hyperconnected era marked by excess information, where cultural politics outweighs institutional politics. At this moment, just as our lives have taken on a performative, exhibition-oriented character, politics has become a space of much rhetoric and little truth, in which speeches are crafted to reach people in their emotional and instinctive dimensions. In this context, standing out requires a process of impoverishing discourse: It loses logical and conceptual rigor and begins to ignore facts. The main concern becomes performing a striking, grand, and emotional act, with slogans and aesthetically produced images designed to move.

Mario Vargas Llosa,[3] in *The Civilization of the Spectacle*, provides an X-ray of the culture of our time, which limits itself to entertaining, giving pleasure, and offering an escape from real life, without requiring from the public even minimal cultural references, imagination, or memory, association, and critical effort. He notes that in this moment, "in step with the prevailing culture, politics has increasingly replaced ideas, intellectual debate, and programs with mere publicity and appearances."

Technological development enabled the decentralization of the monopoly of mass information held by the state and major media outlets. Now we can all be vehicles of information, able to document events, deliver emotional speeches, and pose

as pseudo-experts in assorted fields. There is no minimal commitment to truth: Opinion specialists choose the version that suits them best, ignoring facts and spreading absolute moral certainties. Fact and opinion intersect and become indistinguishable, confusing us about what is real and what is not. Almost everything is learned through opinion-based narratives instead of grounded facts, and there is widespread laziness in seeking information and forming opinions independently. People open their feeds anxiously waiting for some opinion to appear so they can passively incorporate it into their repertoire.

Dealing with those who differ has become even more intolerable, since we now have the possibility of cultivating a virtual isolation – technologies encourage the creation of algorithmic bubbles where the law of opinion reigns. The culture of social networks has been carried into the real world, because there is no longer room for high-quality public debate or tolerance of difference. But anyone who believes social media is the cause of this difficulty in tolerating disagreement is mistaken. After all, tools can hardly be blamed for the bad choices of the users who wield them. It is we, ultimately, who seem less willing to live with differences. And this apparent inability to accept that there are no safeguards against ideas we do not want and may end up hearing (even by accident) must, it seems, be placed at the center of the debate.[4]

The dispositions and primitive fantasies that already lay within us—such as the search for a figure on whom we can place our collective hatred or idolize as a father, prophet, or hero, as well as the intense desire to attach ourselves to an ideology and belong to a group—now find an easier path for expression.

It becomes clear that discourses not only narrate the world but also fabricate it. We must be increasingly attentive to them so as not to fall into their traps.

GENERAL CONTEXT

The five-year period we are now dealing with is marked by a scar: the trauma of the pandemic. Forced digitization ushered in this era, giving a new character to human relationships, now based on digital connectivity. Daily life has been transformed into remote work, online education, and virtual communication, and people have had to seek, more than ever, symbolic shelter and sustenance in the collective, using technology to do so. The digital environment has reinforced the algorithmic bubble and discursive polarization, establishing itself as the main stage for narrative struggles.

Currently, we find ourselves submerged in predetermined perspectives. People want to be happier and freer, but they do not accept those who think differently. The war of narratives, the standardization and polarization of thought are all symptoms of a society divided into “us against them,” in which we have become intolerant. Our culture is threatened by a lack of plurality, and many educational institutions have simply become propagators of a single ideology. How can we change this scenario? Culture permeates the innermost depths of individuals. Therefore, it is necessary to

make this criticism and, more than that, to disseminate these questions so that people, young people, and students realize that thinking is not bound to a doctrine. It is free.[5]

Subsequently, with the progressive containment of the virus, the economic effects of the pandemic revealed their full extent, with high inflation, rising interest rates, and a growing fiscal deficit. Amid the global economic crisis, culture was waging another war: that of language. It is impossible to talk about this period without addressing one of its fundamental elements: the culture war.

The history of the West has been marked by a war against itself, in a process of cultural self-destruction led by its own intellectual, media, and political elites. In *The War On the West*, Douglas Murray[6] writes that Western self-criticism has degenerated into self-deprecation, leading Westerners, who once valued freedom, science, and individual rights, to reinterpret their history through the lens of the original sin of racism, colonialism, and patriarchy. Thus, the West is in the process of defaming its history, destroying its symbols, and delegitimizing its culture.

Behind this is a clash between two cultural movements: modernism and postmodernism. The former, situated throughout the 20th century, values objectivism, individualism, and liberal capitalism, believing in reason and the search for truth. The latter, from the end of the same century, values social subjectivism, collectivism, and socialism, advocating the deconstruction of reason and truth and the erasure of the Western legacy. Reason and freedom, fundamental values of the West, are seen as responsible for oppression and colonization. Thus, progressivism seeks to annihilate the elements on which Western modernity was based, in an operation that ends the possibility of political reconciliation.

Woke ideology is one of the symptoms of this moment and is based on the principle that every social structure is permeated by relations of power and domination, which must therefore be "deconstructed." In its recent development, it tends to reinterpret all aspects of social life in the light of identities and oppressions, replacing rational debate with a morality of "vigilance and purity." It has become an authoritarian and moralistic drift, marked by excessive politicization of language, censorship, and identitarian victimhood—that is, an attempt to impose ideological values under the pretext of social justice. The so-called cancel culture is the mechanism for perpetuating woke ideology, transforming intolerance into virtue: A punishment disguised as social justice against those who dare to disagree with the increasingly extensive politically correct playbook.

Large media conglomerates and major technology companies have begun to actively marginalize certain types of opinions and viewpoints that they deem unhealthy for society. At what point did advances in digital communication stop helping to disseminate information and become a tool in the quest to homogenize public discourse? At what point in history did we become so dogmatic that we can no longer speak our minds for fear of offending someone? And what happened to the segment of the population that even began to enthusiastically defend censorship? The "cancel culture" we live with today is precisely this: Policing the positions of others, making it so harmful

to disagree that everyone starts to think alike or even becomes afraid to express any divergence from the dominant opinion.[7]

This context has killed the space for debate, as the supposed existential incompatibility between progressives and non-progressives has made reasonable exchanges between the two sides almost impossible. For debate to exist, individuals only accept opponents who speak from the same moral code; otherwise they are automatically disqualified as "fascists" or "extremists" and stripped of their humanity. This offers individuals the comfort of not having their convictions questioned or having to face the inconsistencies of their own premises.

It also reveals another important aspect of our time: Moral fragility, understood by American social psychologist Jonathan Haidt[8] as a tendency to react to challenging ideas as if they were moral threats, weakening the ability to withstand ethical conflict. This fragility is sustained by the overemphasis on subjective offense, by the treatment of emotional interpretation as truth, and by a view that society is divided between good and evil. In this context, debate is replaced by censorship and victimhood, and dialogue is no longer about political views, but about moral values.

The critique of reason has produced this world of intangible, overly subjective, mutable values without reference points, which seem to be based on a scale of human victimization. Man is no longer exalted for his power, his reason, and his strength. Furthermore, the deconstruction of reason opens the door for people to distrust their own ability to think and construct original ideas, leading them to believe in the need for a robust state to do this for them.

TIMELINE

Pandemic

In Brazil, the pandemic reactivated a symbolic dispute around science: on one side, the right, associated with the figure of then-President Jair Bolsonaro, nicknamed "gravedigger" and accused of denying scientific evidence; on the other, the left, which presented itself as a defender of the Brazilian Unified Health System (SUS) and technical reason. In this polarization, the left consolidated its role as guardian of scientific truth, but this position is, to a large extent, a discursive operation. Science can be mobilized by different power projects: by the left, as an instrument for promoting collective well-being, or by the right, as a vector for technological progress and economic growth. However, the very nature of science contradicts this attempt at ideological appropriation, since its method is not based on certainties, but on constant verification and debate. Neither in Science (a word so widely used but little understood in these times of pandemic), where research only becomes scientific knowledge after surviving countless iterative attempts at falsification by the researcher's peers, in a true "marketplace of ideas" that rewards those ideas that convince more people of their assertiveness—or that cannot be overturned by others.[4]

The Black Lives Matter movement— The cultural shift in the west

The death of George Floyd in 2020 in the United States triggered a global wave of anti-racist protests and ushered in a new form of identity activism that would mark the following years. The movement for racial justice was quickly captured by discourse and became a symbol of woke culture, turning into a tool of moralism and censorship.

Over time, more and more categories of existence are captured (or created) by woke culture to enter this great cauldron of the oppressed. The common course of this process begins in universities, which create some wordy, confusing, and pretentious theory, without making any reference to reality. Then, social movements simplify the theory and create popular derivations from it. Thus, this truth artificially produced by an elite becomes an unquestionable universal law. It is no coincidence that, historically, great intellectuals maintain close friendships with those in power: while the latter need someone to legitimize the state apparatus, the former seek sustenance in the face of unpredictable competition in the free market. And the people, in turn, look to intellectuals to tell them what to think. Woke ideology emerges in academia as a convenient tool, as its implementation depends precisely on a robust state—an alliance of convenience between political and intellectual power.

In *The Madness of Crowds: Gender, Race, and Identity*, Douglas Murray[8] dissects the new Western moralism, centered on issues of gender, sexuality, race, and identity. According to him, the initial goal of correcting historical injustices has been replaced by a quest for moral and social power over others. Thus, minorities and legitimate social movements have been appropriated as ideological tools and have lost their way by becoming intolerant and punitive. In practice, they represent a disservice to the causes they defend, as they limit this important debate to progressives.

Therefore, by advocating for the censorship of ideas considered "offensive," political correctness is nothing more than a tool created to intimidate and restrict individuals' freedom of speech. By prohibiting the free expression of ideas on sensitive issues, political correctness ends up making society ignorant about the facets of these issues with the sole purpose of standardizing and homogenizing individuals' ideas, making them think and act in a uniform manner.[7]

In a liberal democratic state, individuals are free to live according to their choices and are equal before the law. However, for the contemporary identity movement, this freedom is not enough. The issue is no longer the right to live as one wishes, but rather the imposition of a single truth, supported by a new moral and linguistic code that seeks to mold everyone. Thus, the criticism is directed not at minorities themselves, but at the ideological instrumentalization of gender, race, and sexuality as tools of cultural control.

The Israel-Palestine War

The conflict between Israel and Palestine is one of the international episodes that best illustrates what we have been discussing so far. In October 2023, Hamas' attack on Israel and the Israeli state's military response reignited one of the longest conflicts in history. In this context, Israel was quickly captured by the discourse of the intellectual left, which reduced this war of intricate historical, ethnic, and religious nature to the typical empty jargon of progressivism—ready-made templates applicable to everything that exists, synthesized in the phrase "the State of Israel is a Western colonial and imperialist project in the Middle East, based on Islamophobia." The Jewish people have historically been persecuted and targeted by prejudice, but progressive protection is limited to their own subjective criteria of what defines an oppressed people.

In the book *Industry of Lies*, Ben-Dror Yemini[9], an Israeli journalist, argues that criticizing Israel is legitimate, but what is now happening is a diffuse system of ideological bias, selective misinformation, and distorted morality, promoted by the media, intellectuals, and international activists to delegitimize the existence of the State of Israel. In this context, Israel is judged by moral standards that are completely different from those applied to any other state: The only democratic state in the Middle East is treated as a pariah, while Arab dictatorships and Islamic theocracies, which brutally repress minorities and opponents, receive international support. This operation reveals yet another element of the aforementioned cultural war, as the focus falls exclusively on the sins of the West. The Israeli author points to three causes for the delegitimization of Israel: Western guilt for colonialism, anti-Semitism and anti-Zionism disguised as humanitarian discourse, and the interest of Arab leaders in maintaining a common enemy.

These intellectually pretentious narratives, which are nothing more than word games, are legitimizing terrorist groups that openly proclaim their desire to wipe the Jewish population off the face of the Earth.

The crisis of Brazilian democratic institutions

"There is now a widespread tendency to argue that one can only defend democracy by totalitarian methods."[10]

The Brazilian Federal Supreme Court (STF) has ceased to be the guardian of the Constitution and has become its absolute interpreter and, often, its violator. Under the guise of protecting democracy, it has been interfering in the powers of other branches of government, acting as a positive legislator, creating rules without legal basis, making unilateral decisions on issues of national importance, and persecuting political opponents. This stance represents the imposition of political will disguised as technical decisions, undermining the rule of law.

It all began in March 2019, when the then president of the STF, Dias Toffoli, opened an investigation into threats and fake news against the Court. In theory, the STF

could not open an investigation without being requested to do so by the Federal Police (PF) or the Attorney General's Office (PGR), but its opening was justified by the reinterpretation of Article 43 of the STF's Internal Regulations, which states: "In the event of a violation of criminal law at the headquarters or premises of the Court, the President shall initiate an investigation if it involves an authority or person subject to his jurisdiction, or shall delegate this power to another Minister."[11]

Minister Luís Roberto Barroso defended its legality, broadening the concept of "at the headquarters or premises of the Court" to include virtual offenses. Thus, the Supreme Court began to act as victim, investigator, and judge at the same time, breaking the principle of impartiality and setting a precedent for a series of political persecutions.

Speaking is not acting, but in Brazil the line between words and crime has been blurred. It is very subjective and arbitrary to define what constitutes a crime based on words—they can be interpreted in different ways, depending on the interests of the interlocutor. Arrests for expressing opinions have set a dangerous precedent: By manipulating the meaning of the law to punish opponents, the way has been paved for the law itself to become an instrument of political persecution.

STF is the guardian of the Constitution, not its author. When it interprets the law expansively, it transforms it into an instrument of political will. This tendency is reflected in the statements of its members: Minister Luís Roberto Barroso, for example, declared that the Court should sometimes play an "enlightened" role, promoting social and political advances even against the majority sentiment, as in the case of same-sex marriage. In addition, he has stated that he wanted to leave as his legacy "the total recivilization of the country"[12] and that "we defeated Bolsonarism to allow democracy and free speech for all people".[13] These statements suggest a messianic view of the role of the judiciary, which arrogates to itself the right to lead the country in the "right" direction—a role the Constitution never conferred on it—and to reshape the country in its own image, in a pretentious and authoritarian operation.

This episode revealed a nation incapable of transcending discursive polarization to defend the rule of law itself. One cannot celebrate the actions of the STF and, at the same time, claim to be a defender of democracy in the face of so much evidence of unconstitutionality. Unless, of course, this "democracy" is one that serves a minority—the democracy of enlightened sages who decide what can and cannot be said, read, and thought. The narrative apparatus was so skillfully deployed that it transformed abuse into virtue and censorship into protection, and the STF emerged as the hero of Brazilian democracy.

Many applaud the violation of constitutional guarantees, as long as they affect the adversary; we have allowed justice to cease to be a principle and become an instrument of political revenge. It is difficult for both sides of the political spectrum to place the defense of the rule of law above their own opinions and interests, but this is our duty: If this principle is violated, there is no guarantee for anyone.

The main lesson from this journey through current events is that if we want to form our own opinions that are close to the truth, we must seek facts rather than narratives. The great challenge of our time is not to fall into the traps of discourse, and to do so, we must investigate its origins and understand it thoroughly.

THE VOICE OF THE FORUM

In 2025, during the panel entitled "Under surveillance: The battle for freedom of speech," André Marsiglia,[14] a lawyer known for the fake news inquiry, proclaimed, in a vehement criticism of the STF's actions: What is freedom for? Is freedom for us to arrive at a concept of democracy and preserve that concept? Or is freedom precisely for us to question, to seek, to achieve, and then throw away what we have achieved, so that we can permanently question what democracy is?

At the 2024 Forum, in the panel "The Power of the Gag," Gustavo Maultasch, a doctor and diplomat, pointed out that the impetus for censorship has always existed because it is the easiest path. Only the arguments change from time to time, which today include the defense of minorities, democracy, institutions, and science. He says that morality has been perverted because we no longer judge a person's actions, but rather their social marker—gender, race, sexuality, and class—which defines whether the subject is correct or not in a given circumstance.

On the same panel, Marcel van Hattem argues that the first victim of censorship will never be lies, but rather the truth, because censorship serves to maintain the status quo, preventing new ideas from emerging and prevailing. He also argues that the state can be criticized—fairly or unfairly, politely or maliciously—but should never monitor citizens; it is citizens who should monitor the government, which, in turn, must be permanently accountable to society.

In 2022, in the panel "Separating fact from opinion," Francisco Bosco, Brazilian philosopher, writer, and lyricist, mentioning Freud's *The Future of an Illusion*,[15] says that group identification produces narcissistic compensations, because in a group opinions tend to be shared, and it is enough to reproduce them to be recognized and esteemed within the group. This makes people less committed to making an honest interpretation of reality—based on arguments, conflicting perspectives, and evidence—than to reproducing a certain group code.

On the same panel, Johan Norberg, Swedish author, lecturer, and documentary filmmaker, emphasizes the importance of debate. We need to be open to new ideas and the conflict of two minds, because it is from this spark that humanity evolves. To do this, we need to stop falling into the temptation of only seeking confirmation bias, and instead listen to our adversaries—the experts in pointing out our mistakes—because they make us broaden our vision, better understand the world, and review the consistency of our assumptions. "If you silence someone, you lose a new perspective on the world that can never be replaced." For him, both the woke left and the nationalist right are now seeking a purification of culture in an attempt to exclude divergent ideas.

Also in 2022, Stephen Hicks, Professor of Philosophy, in the panel "Are cultural wars the new Cold War?" argued that only a return to reason, logic, and evidence can end the cultural war. At the same event, in the panel "Are there limits to freedom of speech?" Marize Schons recalled that liberalism is based on the existence and knowability of truth through reason—a principle now replaced by the Marxist idea that all perception is mediated by ideology, which transforms freedom of speech into a political instrument.

LEGACIES AND LESSONS

The five-year term has come to an end, and what has it taught us?

First mistake: The end of rational debate.

It seems that we are breathing stale air and experiencing a wearisome standstill in debate, which is not evolving. We need to rescue the debate and relearn how to live in disagreement, because it is through disagreement that we build a society that moves forward. To do this, we need to return to speaking the language of reason, the only one that allows for productive exchanges, and abandon the helplessness created by the deconstruction of truth. To survive, we need "hyperbolic doses of reality, of a tangible, objective world, without linguistic conceits, without hermeneutic devices designed to project it beyond itself."[16]

Second mistake: The fragmentation of the opposition.

While the progressive movement is united and robust, its opposition is fragmented and disjointed, making it difficult to even name. And a disjointed movement is easily defeated and weakened. André Marsiglia says that the reason for this situationis the existence of a right-wing intellectual and economic elite that looks at the people, represented by a popular Bolsonaro-supporting and evangelical right wing, with aesthetic disgust. With the same aesthetic disgust, incidentally, with which the left-wing elites view Bolsonaro supporters and label them as extremists—perhaps at the extreme end of the spectrum are, in fact, the people.[14]

So, how can such a distinct opposition be reconciled? This is the big question for the coming years. On the one hand, there are the liberals who care about democracy, the rule of law, and individual freedoms; on the other, there are the conservative nationalists who believe in imposing their truth. Between them, however, there is one thing in common: The revolt against the dictatorship of progressive ideas. Liberal democracy is not perfect, but there is still no model less tyrannical than it.

Collectivists have a projective profile and find their *raison d'être* in collective struggle; they are dedicated to mobilizing the masses through emotion and bringing about social change. Liberals, by contrast—turned inward toward the pursuit of their own happiness and well-being—ended up allowing public spaces to be taken over by the opposition, which resulted in the progressive curtailment of individual freedoms and cultural domination.

Third mistake: Patrimonialism.

In 1936, Sérgio Buarque de Holanda[2] wrote: Politics in Brazil can still be described as being taken over by the patrimonial official, for whom pure political management is a matter of particular interest; the functions, jobs, and benefits they derive from them are related to the personal rights of the official and not to objective interests, as is the case in a true bureaucratic state. . . . The choice of men who will exercise public functions is made according to the personal trust that candidates deserve, and much less according to their own abilities.

Brazil seems to be facing the same old problems that define its identity. And it seems to me that the pure and simple replacement of those in power is a random remedy when not preceded and to a certain extent determined by complex and truly structural transformations in the life of society.[2]

First success: The beginning of political maturity?

This five-year period also brought us glimmers of hope. The history of humanity is made up of alternating doses of social power and state power, but if we believe in human reason and truth, we can be optimistic that one day we will achieve freedom. For now, we are content with the fact that democracy does not aim for our happiness, but rather for the desire of the majority—there is no point in imposing ideas if the deepest traits of our identity remain untouched. Therefore, the population must gain political maturity by experiencing the results of their wrong choices.

Regarding the liberal achievements we have made throughout our history, they did not emanate from a particular spiritual and emotional predisposition, from a well--defined and specific conception of life that had reached full maturity.[2] To this end, we need to fight for principles, not personality cults or narratives, and it seems that, little by little, we are moving in this direction. The rise of new candidates truly committed to the ideas of freedom, individual responsibility, and limitation of state power reveals that liberal values are finally beginning to take root in the Brazilian political fabric and find real space within institutions.

Second success: The emergence of new governments.

In this back-and-forth, successes can become established as culture. In this five-year period, our neighbor Argentina elected Javier Milei, the world's first openly liberal president, while the United States re-elected Donald Trump. The emergence of two such emblematic leaders signals not only a reaction but also an exhaustion with the progressive wave that had been dominating the polls in the Americas in recent years.

Third success: The courage to think outside the narratives.

Another lesson from Buarque de Holanda[2] is that apparently reformist movements in Brazil have always started from the top down. For years, we have watched, stupefied, as political life unfolds far from us. But the people seem to be beginning to mobilize, in their clumsy and premature way, mustering the courage to be politically incorrect and transgress the hegemonic norm. Liberal principles are not born of power, but emanate

from a people revolted against the government—a people who, by abandoning passivity and neglect of public life, discover in active participation the true essence of freedom.

TRANSITION

Liberal principles are more than a political ideology—they are a way of existing in the world. They celebrate life, reason, human potential, and the pursuit of happiness, and they repudiate submission, tyranny, and the imposition of another's truth. First and foremost, we must allow ourselves to live as free men, so that we may then have the courage to face a reality that tends to increasingly erase the individual. Seeking the truth and escaping the norm requires courage, for it is more comfortable to follow the herd than to challenge it—but let us remember: When confronted, the herd succumbs, because its premises are irrational.

People seek illusory narratives that numb the pain and feed their neuroses. Still, if we believe that truth exists and trust in human reason, we can hope that one day humanity will indeed be free. The intellect can do little against unconscious drives, but its voice does not rest until it is heard, as Freud taught us. Therefore, change begins in each of us, in whatever ways each of us finds to build a better world. And in this individualism, we find the common good.

Perhaps the first step is this: Facing reality without disguises, with reason awakened and the spirit willing to recognize what we are, what we have become, and what we can still be.

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BRAZIL 2026: BETWEEN LESSONS FROM THE PAST AND THE FUTURE THAT INSPIRES

History may explain how we arrived here, but 2026 demands we answer the question that actually matters: What do we do with the lessons it leaves us? This section marks the passage from historical review to the book's forward-looking core. It proceeds from the recognition that the dilemmas of the present are rarely without precedent—they return wearing new languages, new actors, new urgencies—and that without honest diagnosis, every proposal collapses into wishful thinking; without viable proposals, every diagnosis lapses into lamentation.

The section is structured to move the reader from the concrete to the strategic. We open with a quiz-checklist—a direct invitation to self-assessment—that offers a simple way to map perceptions, pinpoint priorities, and orient the reader through the themes ahead. From there, a diagnosis of Brazil in 2026 organizes the landscape and lays out the key tensions conditioning public and private decisions alike.

The section then moves into four thematic tracks: State and economic freedom; Human capital and well-being; Innovation and economic openness; Infrastructure and the environment. Each track opens with a brief introduction and is developed through articles that weave together evidence, comparative examples, and actionable paths—always oriented toward practical, liberal solutions.

A closing synthesis connects the opening questions to the answers proposed throughout, then prepares the reader for the next leap: a look ahead to 2056. That bridge is intentional. If revisiting thirty years of history lends perspective, imagining the next three decades demands responsibility—so that the choices of 2026 may be judged, in hindsight, as the moment a country decided to change course.

QUICK TEST: HOW DO YOU SEE BRAZIL IN 2026?

Before turning to the articles, take a moment for this quick test. The questions are straightforward, but they point to very real issues facing Brazil in 2026. Your answers will help identify which topics most deserve your attention—and which texts in this section are the best starting point.

CATEGORY	YES	NO
STATE AND ECONOMIC FREEDOM		
Do you feel that the rules change so much that it is difficult to plan your life or a business in Brazil?		
Do you think you pay too much tax for what you get in return?		
Do you feel that Brazil thrives on promises of easy solutions and then pays the price?		
HUMAN CAPITAL AND WELL-BEING		
Are you dissatisfied with the Brazilian educational system?		
Do you think that schools in Brazil do not really prepare students for life and work?		
Do you feel unsafe in your daily life—on the street, on public transportation, or in your neighborhood?		
INNOVATION AND ECONOMIC OPENNESS		
Do you think that entrepreneurship in Brazil is more a test of patience than an encouraged path?		
Do you feel that the lack of competition means you pay more for products and services?		
Do you think technology (such as cars and electronics) is too expensive in Brazil?		
INFRASTRUCTURE AND THE ENVIRONMENT		
Do you think that construction and improvements in Brazil take too long and often require rework?		
Do you feel that energy and transportation weigh too heavily on Brazilians' pockets?		
Do you think the country fails to reconcile development and the environment due to a lack of clear rules and effective enforcement?		

The scoring is simple: Mark your answer to each question on the facing page, then add up the points. “YES” counts as 1 point (a warning sign); “NO” counts as 0 (a positive sign). The more “YES” answers you give, the stronger your sense that urgent problems need addressing—and the more likely you are to find relevant answers among the articles in this section.

Prefer not to compute manually? Scan the QR code with your phone and answer the same questions in the online version; at the end, you’ll receive your score automatically along with a suggested reading path indicating which topics and articles in this section most directly connect to your answers.

Now read on: This section was written to confront, without shortcuts, exactly the concerns you just marked.

We invited Gustavo Franco to open this section.

Gustavo Franco

One of Brazil's most influential economists, Franco played a decisive role in designing and implementing the Real Plan. He was the youngest president of the Central Bank of Brazil in the democratic era, serving from 1993 to 1999, when he led the fundamental reforms that stabilized the economy and restructured the national banking system. His technical accomplishments have been recognized internationally, with honors including Central Banker of the Year (1998) and the Jabuti Award (2013).

He is currently a founding partner of Rio Bravo Investimentos and a professor in the Department of Economics at PUC-Rio, where he completed his undergraduate degree before earning his PhD from Harvard University. Beyond his work in financial markets and on several corporate boards, Gustavo is a prolific author: His 16 published books explore the fascinating intersections between economics and literature, from Machado de Assis to Shakespeare. He writes a regular column for *O Globo* and *O Estado de S. Paulo*.

INTEREST RATES AND POPULISM

Interest rates are high because the fiscal accounts are badly out of balance. That is because this is a populist government.

It's not complicated.

INTEREST RATES AND THEIR FUNDAMENTALS

Interest is not a public tariff.

It is not a price that the Authority fixes at whatever level happens to suit it. It may look that way, but it is not.

A similar debate once played out over exchange rates.

Under the exchange control system that had prevailed since the Old Republic, the Central Bank (BCB, Banco Central do Brasil) set the rate by fiat. When deregulation began in the late 1980s, the market took over that role.

The BCB still operated in the market—buying and selling in various ways—but it had to respect the "fundamentals." It quickly became clear that defying market consensus was, at best, a fleeting proposition, and many people disliked those consensus outcomes.

Interest rates are much the same. There are many partisans, many fundamental doubts, and very few certainties.

One of them, to be clear, is that interest rates are not "an administered price"—in the tautological sense deployed by then-Minister Mercadante during the bleak days of the New Matrix, when he justified using oil-derivative prices as an anti-inflation tool: "Administered prices are administered prices. You administer them according to the strategic interests of the economy." A sentence that has since become a small monument to circular reasoning.

Are we heading toward "administered" interest rates of the same kind?

As with the exchange rate, interest rates have "fundamentals" that must be respected. The Authority does have the power to intervene—far more directly on rates than on the exchange rate—but not without limit.

The right approach is to let the market function and tend to the "fundamentals."

But what, exactly, are the "fundamentals" of interest rates? What is being supplied and demanded? And through what mechanism?

This is where the conversation about fiscal accounts and public debt comes in.

High interest rates are a fiscal problem.

Worth repeating: The interest rate problem is fundamentally fiscal in nature.

This will be the great contested thesis of the years ahead—just as, in its time, was the claim that hyperinflation was a disease of the currency, not an epidemic of greed.

High interest rates will not be brought down through wishful thinking or sheer political will. The "fundamentals" must be addressed. Those who spend beyond their means accumulate debt; and because the government is not like any ordinary debtor, its compulsive borrowing drives up the cost of credit for everyone else.

No one in Brasília (Brazil's capital city) likes the idea that high interest rates are a fiscal problem, because it shifts the blame from Central Bank villainy to the collective irresponsibility embedded in a dysfunctional budgetary process.

FUNDAMENTALS AND POPULISM

Populism undermines the fundamentals of good economic policy.

Populism is not new, but it has always resisted precise definition.

In a 2018 book on the subject, Barry Eichengreen[1] offered a sharp observation: The definition of populism recalls the famous words of U.S. Supreme Court Justice Potter Stewart in a 1964 case concerning the censorship of a Louis Malle film. The issue was the definition of "obscenity," and the answer was simple—and has since become canonical: "I know it when I see it."

In its recent manifestations—in the United States and Brazil, though not exclusively—populism tends to involve the same constellation of elements: charismatic, outsized, media-hungry leaders; direct, intensive contact with the public (via social media, bypassing intermediaries); contempt for elites, especially technocrats (and for the sciences they claim to represent); a somewhat cartoonish nationalism; and public policies that are indistinguishable from marketing campaigns engineered for applause.

None of this would matter much if it were merely a question of personal style. Democracy is the realm of popularity, after all. What is the objection to a president who governs as though hosting a talk show, flanked by smiling courtiers and coached audiences?

The question is whether this format—this algorithm—is neutral, or whether public policy driven by engagement metrics and approval ratings inevitably distorts its own substance.

To put it in more concrete terms: In the old model, technocrats formulated economic plans, and political leaders who approved of them brought in communications professionals to manage the rollout. It was not unusual for the spin doctors and the boss's communications team to grumble about unpopular measures—the kind of remedies that economic problems typically require.

Today the logic has inverted: It is the spin doctors who make the policies, already engineered to satisfy the leadership's wishes. Technical experts work on contract—or are summoned only a posteriori to explain and patch whatever didn't land well.

In this arrangement, unpopular measures cease to exist; nothing can go wrong by design. Fiscal balance has no place in such a system.

The parallel that comes to mind is the invention of the price freeze as an anti-inflation tool in the 1990s: What could be more direct and intuitive than simply *prohibiting* price adjustments?

Inflation becomes *illegal*, right?

If it happens, just call the police. Or declare that the supermarket is closed.

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STATE AND ECONOMIC FREEDOM

Economic freedom is not an end in itself: It is the most reliable means of expanding opportunity, dismantling privilege, and allowing people and businesses to plan their futures. When the state is unpredictable, costly, and intrusive, it scrambles incentives, deters investment, and converts productive energy into a contest for protection. This subsection proceeds from the diagnosis that Brazil's main barriers in 2026 stem largely from incoherent rules, excessive bureaucracy, and fiscal decisions that shift today's costs onto tomorrow. The articles here examine how to set limits, simplify, restore predictability, and rebuild an environment in which merit, innovation, and work can thrive—with accountability and a clear focus on results.

Natalia Platania Chieza

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BRAZIL WEIGHS HEAVILY ON THOSE WHO PRODUCE: BETWEEN BRAZIL COST AND THE HOPE FOR SIMPLIFICATION AND EFFICIENCY

CURRENT SCENARIO

The complexity of the Brazilian tax system is a subject that never goes out of fashion in the country. Every entrepreneur lives with the so-called Brazil Cost in their daily routine. The tangle of tax rules, together with various other difficulties, such as legal uncertainty, bureaucracy, lack of human capital, and inadequate infrastructure, among others, combine to produce a business environment hostile to anyone seeking to generate wealth.

According to the World Bank, in its 2019 Doing Business report, Brazil ranked 109th in the ease of doing business ranking, when compared to 190 nations, behind authoritarian countries and very close to economies with rampant inflation.[1] These circumstances, without even going into detail, already suggest that something is wrong.

Meeting tax obligations is one of the 12 fundamentals that the Brazil Cost Observatory[2] considers essential to boosting productivity and competitiveness in the Brazilian economy over the long term.

The gross tax burden in 2024 was 32.32% of gross domestic product (GDP), representing an increase of 2.06 percentage points of GDP compared to 2023, as shown in the graph in Figure 1.[3]

In recent years, Brazil has continued to achieve successive revenue records. Throughout 2024, up to September, the Brazilian government accumulated a total of R$ 2 trillion in tax collection, according to the Federal Revenue Service.[4]

The high tax burden and the difficulty of calculating tax obligations are significant features of Brazil's complex business environment. Together, these factors drive up operating costs and compress corporate profits. Companies then pass those costs on to consumers through higher prices.

Every company's primary objective is to earn a profit, and doing so requires efficient resource allocation. The law of supply and demand is the key signal of what the free market needs. The company that delivers the best service and the best products wins market share and generates wealth.[5]

Unlike companies, the state derives its revenue largely from monetary expropriation—collected through taxes. Governments need financial resources to sustain themselves and, to justify levying those taxes, they promise to deliver security and social rights such as health and education in return.

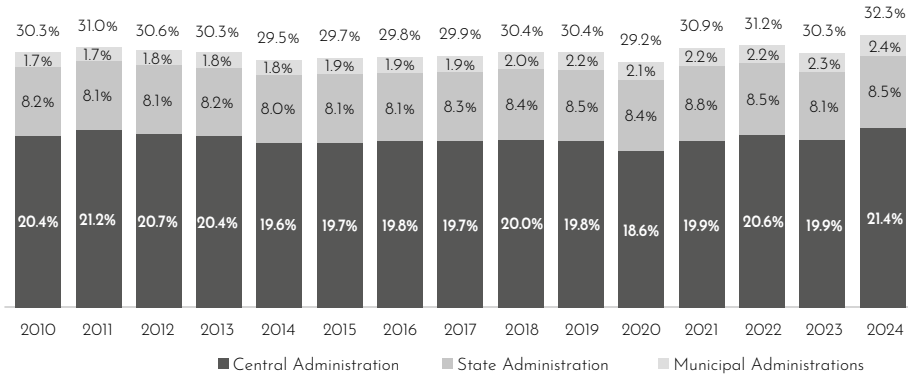

FIGURE 1. Annual gross tax burden by level of government—Brazil 2010–2024.
Data in % of GDP.
Source: Brasil.[3]

Governments that exchange promises for financial resources end up delivering inflation—and with it, a steady erosion of individual freedom, as citizens grow ever more dependent on the state.

According to The Heritage Foundation's 2025 Index of Economic Freedom,[6] Brazil ranks 117th among the 184 economies evaluated—classified as largely unfree.

The Brazilian currency has lost much of its value since its creation in 1994—an erosion driven by the failures of public management. Brazil is, historically, a country of vast territory and rich cultural diversity, but one marked by chronic mismanagement of resources.

The 2023 Municipal Management Effectiveness Index (IEGM, Índice de Efetividade da Gestão Municipal) evaluated seven aspects of Brazilian municipal management, including education, health, the environment, planning, infrastructure, fiscal management, and information technology governance. No state achieved an average higher than 0.50 on an indicator that measures from 0 to 1.[7]

Inefficient governments face no consequences. The burden falls instead on taxpayers, since the state retains the power to raise taxes and find other means to self-finance whenever it sees fit.

The heavier the tax burden, the harder it becomes for companies to stay productive and profitable, as they must surrender an ever-larger share of what they produce to the state. This disincentive to productivity feeds a cycle of social problems—one Brazil is living through today. As philosopher Ayn Rand wrote:[8]

> When you realize that in order to produce, you need to obtain permission from those who produce nothing; when you see that money flows to those who deal not in goods but in favors . . . then you can say without fear of error that your society is doomed.

NEW TAX REFORM

Amidst the Brazilian tax maze, there is a light at the end of the tunnel: the new Brazilian tax reform, which is new in name only. The economic discussion on this topic has been going on since the 1960s.

Proposed Amendments to the Constitution (PECs, Propostas de Emenda à Constituição) were presented during the administrations of Fernando Henrique Cardoso in 1995 and during the administration of Luiz Inácio Lula da Silva in 2008—PECs No. 175/1995 and No. 233/2008, which were shelved without success.[9,10]

In 2019, yet another PEC was submitted—No. 45/2019—which the Chamber of Deputies approved in July 2023 and the Federal Senate approved in November 2023. The text provides for a transition period beginning in 2026 and running through 2033 before the reform is fully in effect (Figure 2).[11]

Among the main changes are the gradual unification of the PIS, Cofins, IPI, ICMS, and ISS taxes into two new single taxes, the CBS (Contribution on Goods and Services) and the IBS (Tax on Goods and Services), so that they function similarly to a VAT (Value Added Tax), a model accepted and functional in several countries around the world.

The Ministry of Finance has published an official informational booklet with the methodological details of the reform, intended to offer technical guidance and public clarification on the subject. Figure 2 shows the timeline for this transition.

Simplification

According to the government, the reform's primary objective is to put the Brazilian economy on a path of sustainable growth, generating jobs and income. Central

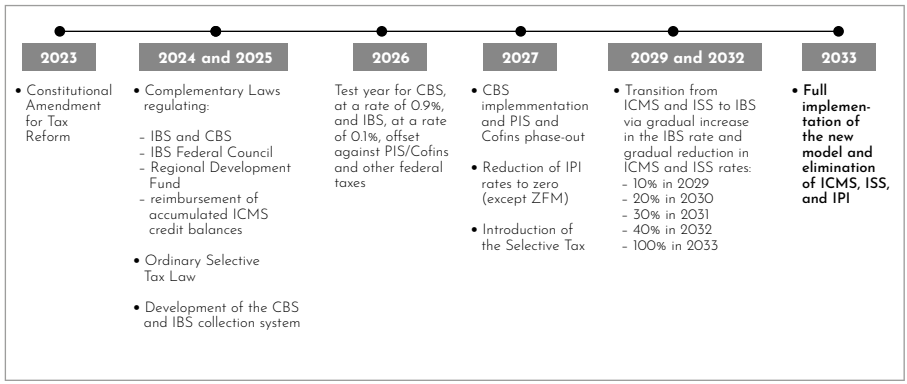

FIGURE 2. Tax reform transition schedule.

Source: Brasil.[12]

to achieving this is tax simplification, which aims to cut complexity and increase transparency.

Simplifying tax calculation will reduce costs for companies, freeing up time and cutting operating, administrative, and legal expenses. Currently, Brazilian companies spend roughly 1,500 hours per year preparing, filing, and paying taxes—more than in any other country in the world.[1]

Estimates suggest that only 22% of micro and small entrepreneurs understand the taxes embedded in their business transactions, while 74% of end consumers have no habit of, or interest in, learning about the topic. This widespread unawareness of how heavily taxes shape everyday life leaves the population increasingly at the mercy of the state.[13]

Friedrich Hayek,[14] in his book *The Road to Serfdom*, warns against the rise of totalitarianism. When society hands over its wealth to the state to manage, it surrenders its freedom as well, since economic autonomy is indispensable to preserving all other freedoms.

Tax complexity helps obscure just how heavily the state burdens ordinary life. The simplification the reform proposes should raise public awareness of this reality. The state presses down with immeasurable weight on all of productive society, eroding purchasing power and quality of life.

Greater productivity is also anticipated, since simplification cuts red tape. One notable step in this direction, enacted in recent years, was the Economic Freedom Law, Law No. 13,874/2019. Building a business environment that supports entrepreneurs generates economic and social development.[15]

As public services moved into the digital environment and new laws reduced bureaucracy and eliminated permit requirements for businesses in sectors that pose no risk to consumers, Brazil set records for new company registrations in 2020.[16]

Tax burden

The reform will not cut the overall tax load. Every official source on the topic is explicit: Maintaining revenue capacity is a government priority, and tax reduction is not on the table.

Today, bureaucracy and high tax burdens drive companies to find workarounds simply to survive. All this complexity and cost fuel tax avoidance, evasion, and informality.

The *jeitinho brasileiro* ("Brazilian way") of solving the complex bureaucratic problems of Brazil is in fact the central metaphor for the 2026 Fórum da Liberdade.

These traditions grew from a culture in which Brazilians have always had to devise ways around adversity. From the country's earliest days, individuals built wealth through their productive energies, their own efforts, and the resources of their land.[17]

During the colonization of Brazil, fiscal exploitation by the colonizing powers persisted for generations. Today the model has changed, but it remains centralized,

concentrated, and exclusionary. History offers context for understanding how Brazil arrived at the complex tax system it uses today.[18]

The high tax burden discourages entrepreneurs from investing and workers from working. In a country with low productivity and poor resource allocation, the only way for the public sector to sustain itself is through a high tax burden.

The federal government has raised taxes 27 times since 2023, underscoring the state's persistent need to extract financial resources from society in order to fund itself.[19]

In practice, even as taxes rise, revenues rarely materialize as projected. The Laffer Curve explains, through economic theory, why high tax burdens do not yield proportionally higher receipts.[20]

No one likes to share part of their productive efforts with those who produce nothing—and, in large part, hinder progress with bureaucracy and regulations.

In an ideal world, the reform would also bring down the overall tax take. For that to happen, the public sector would need to deploy the resources it extracts from citizens efficiently and effectively—a standard it has historically struggled to meet.

The new reform provides for differentiated taxation regimes for certain productive sectors, such as food, education, health, and transportation. Reducing the tax burden will always be beneficial to the population, as lower tax rates tend to make these products and services cheaper and more accessible to the population. However, this is not quite what happens in practice.

The new basic food basket, for example, is a project presented by the Brazilian Supermarket Association (Abras, Associação Brasileira de Supermercados) with the aim of reducing taxes and food prices for end consumers. In practice, this price reduction depends on the entire production chain involved in the consumer price formation process.

Any reduction in the final price will depend on how states and municipalities implement these tax concessions, the operating costs across the production chain, and the complementary legislation still to be drafted and enacted, as every sector scrambles to secure its share of benefits. Without a genuine reduction in the overall tax burden, these concessions will merely shift which sector carries it—and workers will go on footing the bill to sustain the weight of the public sector.

CONCLUSION

Companies must produce wealth to stay competitive—adapting to market demands, generating profit, and driving social development. Governments operate by a different logic: Their resources come from expropriating society's income. As a result, capital allocation in the private sector tends to be far more efficient than in the public sphere.

Today, tax revenues have been directed largely toward government programs that attempt to patch the problems the system itself has created, rather than giving citizens the tools and direction to develop on their own.

This first step—pursuing tax simplification—may open the door to deeper reform. With some optimism, simplification could prove the path toward lower taxes over the long term.

Paying less tax returns economic power to individuals, letting them make their own decisions. Acting in its own interest, society would then generate wealth, technology, and social development. As Adam Smith observed, "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest."

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BACK TO THE FUTURE: WHAT TODAY'S BRAZIL CAN LEARN FROM DENG XIAOPING'S CHINA

Brazil is one of the ten largest economies in the world and the largest in Latin America.[1] Our agribusiness sector is efficient and competitive, leading exports of soybeans, coffee, beef, and chicken, which makes us a strategic partner in global food security. In the environmental field, we stand out for having an electric grid that is mostly renewable—about 87% from clean sources[2]—and for having one-third of national territory under legal protection.[3] We have a creative, hardworking, and highly entrepreneurial people: From the favelas to urban centers, millions of Brazilians look for ways to generate income and prosper, even in hostile and unpromising environments.

Our potential is immense, but if we were once called the "country of the future," today we carry, somewhat ironically, the label of the "eternal country of the future." Despite this abundant human and natural capital, growth in gross domestic product (GDP) per capita, productivity, and the Human Development Index (HDI) over the past decades has been modest. In 1980, Brazil's GDP per capita was slightly below the world average and ten times higher than China's. Four decades later, the situation has reversed: Both the global average and China's per capita income exceed Brazil's by about 30%.[1]

One of the roots of this problem lies in labor productivity, or rather, in its absence. Between 1980 and 2019—a period marked by intense globalization and technological innovation—Brazilian productivity grew by only 2.1% per year on average, while China's grew 4.8%. Between 1996 and 2019, the contrast is even greater: 0.8% in Brazil versus 5.6% per year in China.[3,4] Something similar happens with HDI: In 1990, China (0.482) was well behind Brazil (0.620); in 2023, the gap had narrowed significantly, with China reaching an HDI of 0.797 and Brazil 0.786.[5]

These numbers reveal a persistent pattern of low structural productivity, weak growth, and deteriorating international competitiveness. Brazil seems unable to sustain long-term reforms or policies, often paralyzed by ideological debates that replace pragmatism with rhetoric.

While countries like China managed to place economic pragmatism above political ideology, Brazil remains tied to a logic in which ideology outweighs economic rationality. This tendency discourages productive investment and perpetuates a model of a centralized, costly, and inefficient state.

Brazil's difficulty, then, goes beyond indicators: It lies in the inability to adopt policies guided by results instead of beliefs, and to build a national project that values merit, productivity, and individual freedom as engines of prosperity.

THE GREAT LEAP ~~(FORWARD)~~ BACKWARD

As striking as China's economic miracle—which should offer valuable lessons to Brazilian leaders—was the period that preceded it: the Maoist Era. Beginning in 1949 with the founding of the People's Republic of China by Mao Zedong, this phase combined political centralization, ideological indoctrination, and economic disasters. The same leader who reunified the country also imposed policies that plunged millions of Chinese into misery.

Between 1959 and 1962, the Great Leap Forward sought to transform a backward agrarian economy into an industrial power. To accomplish this, Mao decreed the total collectivization of the countryside, abolishing family property and concentrating everything in the so-called "people's communes." Without individual incentives, productivity collapsed. Unrealistic targets imposed by the Chinese Communist Party led to data manipulation and the breakdown of agricultural production. The "steel campaign," which forced every community to produce iron in improvised furnaces, drained resources and worsened the chaos. The result was the Great Famine (1959–1962), a tragedy that claimed between 15 and 50 million lives.[6]

Even after such devastation, Mao retained power and launched the Cultural Revolution (1966–1976), a movement of ideological persecution carried out by the Red Guards. Intellectuals were humiliated, universities were closed, and any form of technical knowledge came to be seen as "bourgeois." As Henry Kissinger[7] summarizes in *On China*, "a society traditionally governed by a literate elite came to see peasants as its source of wisdom." Innovation, productivity, and economic growth gave way to indoctrination and fear.

When Mao died in 1976, China was politically unified but socially and economically devastated: agriculture ruined, industry paralyzed, and hundreds of millions still trapped in extreme poverty. From this scenario emerged Deng Xiaoping, pragmatic enough to break with ideological dogmatism and rebuild the country. Out of the ruins of Maoism would come the greatest economic transformation in contemporary history.

"IT DOESN'T MATTER THE COLOR OF THE CAT, AS LONG AS IT CATCHES THE MOUSE"

The economic results of China under Deng Xiaoping suggest that he took literally the popular saying that every crisis is also an opportunity. Mao had left behind pain, suffering, and misery but, at the same time, an invaluable lesson: a true guide on what *not* to do when the goal is to generate development and prosperity. It is unlikely that Deng was familiar with liberal theory or with the writings of Ludwig von Mises and Milton Friedman, but this mattered little. His pragmatism led him to recognize what is evident: It is through the free market (a central pillar of capitalism) that a decentralized decision-making process allows resources to be allocated more efficiently, creating wealth and opportunities for society as a whole.

Deng opposed the centralized vision and believed that people should have a share in what they produced. Likewise, he argued that the ingenuity of farmers – who at the time represented more than 60% of the workforce[8]— needed to be "released" so that they could increase their productivity and, as a result, their standard of living. Determined to improve conditions in the country, Deng implemented a process of deep reforms in which one of the first steps was to end the system of communes used in the Chinese countryside.

The old system was replaced by one of household responsibility, in which each family began to manage a plot of land and meet a production quota set by the state. The major innovation was allowing farmers to retain control over their plots and sell surplus output for profit. This model created strong incentives for productivity, since the more they produced, the higher their income would be. The result was a significant improvement in rural living standards and a substantial reduction of hunger in the country at the time. In his book, Kissinger[7] notes that the results of the program were extraordinary: "Between 1978 (the year the first economic reforms were enacted) and 1984, the income of Chinese peasants doubled." In other words, as the state moved closer to the free market, society experienced significant benefits.

Even though the results in the countryside represented a victory for Deng's liberalizing policies, he knew this would not be enough to improve living standards in a lasting way. Other areas of the economy would need to be gradually liberalized, regardless of the ideological inclinations of the Chinese Communist Party.

Seeking to break with this paradigm, Deng Xiaoping developed the Open Door Policy (1978), whose main goal was to attract foreign capital, technology, and management methods. Unlike Mao's abrupt and ideologically rigid changes, Deng adopted a pragmatic and gradualist approach, summarized in the Chinese metaphor of "crossing the river by feeling the stones." Chinese authorities did not know exactly what to expect from the reforms, and the country—after decades of failed economic experiments—could not afford to repeat the same mistakes.

The Open Door Policy allowed for the creation of Special Economic Zones (SEZs), designated territories such as cities, provinces, or coastal areas that would function as laboratories for liberalizing policies. In them, the government could test new market mechanisms, attract foreign direct investment, and evaluate the impact of decentralized measures before applying them nationwide.

In 1980, the government established the first four SEZs: Shenzhen, Zhuhai, and Shantou in Guangdong Province, and Xiamen in Fujian Province. All were located in coastal regions close to Hong Kong, Macau, and Taiwan—territories that at the time were more exposed to foreign trade and to capitalist experience (World Bank Group, 2010). In addition, these areas were geographically distant from Beijing's political center, which reduced the risk of direct interference and allowed for greater administrative autonomy to implement reforms with less political resistance.

Just one year after their creation, in 1981, the four SEZs already accounted for 59.8% of China's foreign direct investment, with Shenzhen alone responsible for more than half of that total (50.6%). By 1985, the volume of foreign direct investment (FDI)

in the four zones reached US$1.17 billion, around 20% of the national total. Economic growth in these regions far exceeded the national average: Between 1980 and 1984, Shenzhen grew 58% per year, while China's overall GDP grew about 10% annually.[9]

The reforms carried out by Deng were not limited to agriculture and the creation of SEZs. His pragmatism also led him to question the role of state-owned enterprises within an economy seeking to grow through efficiency. Instead of decreeing abrupt privatizations, Deng opted for a gradual path, transferring control and incentives before transferring ownership. The enterprises began to retain part of their profits, operate with greater autonomy, and compete with one another and with the private sector. Once again, the state stepped back as the economic protagonist, opening space for the market to become the engine of development.

The chart in Figure 1 shows the magnitude of the results generated by the reforms launched under Deng Xiaoping. In 1981, 97% of China's population lived in extreme poverty, earning less than US$3 per day. In 1990, less than a year after Deng Xiaoping stepped down from the Chinese Communist Party, the number had already fallen to 83%. A few decades later, China – shaped by economically liberalizing reforms – managed to lift around 800 million people out of extreme poverty. As a result, the country accounts for nearly 75% of the global reduction in the number of people living below the poverty line.[3,10]

It is true that Brazil and China have deep cultural differences; however, it is impossible to ignore that something extraordinary happened in China starting in the late 1970s. Unfortunately, almost half a century after the beginning of China's reforms, we still insist on subordinating the economy to ideology and treating the state as the central agent of progress. The transformations promoted by Deng show that prosperity arises when we move closer to the free market, not when we move away from it. Understanding this process and adapting its principles to our reality is essential if we are to finally build a country guided by modern, productive economic policies capable of turning the "eternal country of the future" into the country of the present.

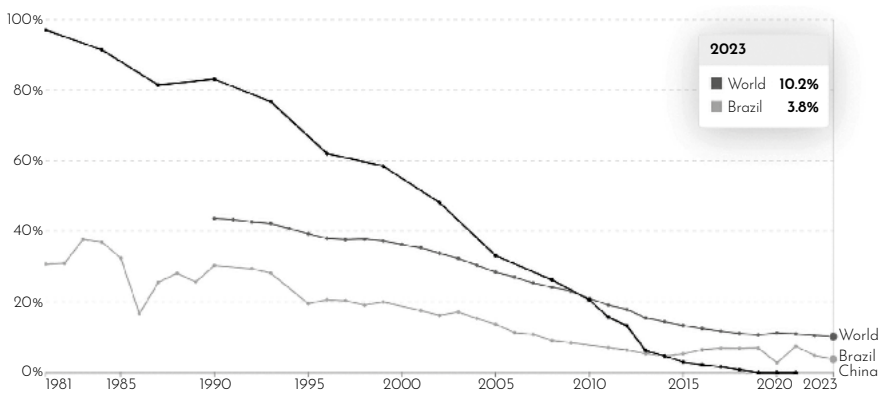

FIGURE 1. People living in extreme poverty, 1981–2023.
Source: Our World in Data.[3]

CTRL + ALT + V

When we want to paste something in a controlled way in programs such as Microsoft Excel, we use the shortcut "Ctrl + Alt + V". That way, we can choose to paste only values, formulas, formatting, or everything together. The learning relationship between Brazil and China should follow the same logic—it is not about copying everything, but selecting what is applicable to the Brazilian reality.

Fortunately, to move forward, we do not need to reinvent the wheel. China, which started from a far more difficult situation than ours—devastated by famine, poverty, and isolation—managed to achieve an unprecedented civilizational leap through liberalizing, but above all pragmatic, reforms. All of this happened under the leadership of a communist and authoritarian party.

If a regime that is, by definition, resistant to economic freedom was able to adopt liberalizing measures and achieve prosperity, what prevents Brazil – a democracy, albeit one with ups and downs – from doing the same, or even better?

In Brazil, the first change that needs to be made is not economic but ideological. More than 30 years ago, we witnessed the Chinese economic miracle, which demonstrated the nearly unstoppable strength of capitalism; the fall of the Berlin Wall, which symbolized the collapse of communist regimes in Eastern Europe; and finally, the dissolution of the Soviet Union, which exposed the definitive failure of the socialist model of central planning.

Even so, in the twenty-first century, we still hear important Brazilian political figures give openly anti-capitalist speeches, marked by a "us versus them" rhetoric and a worldview shaped more by Marx and Mao than by reality. These ideas, in addition to being outdated, impoverish public debate and keep us from the reforms needed for Brazil to achieve prosperity.

This mentality has practical consequences. It supports the belief that the state should control entire sectors of the economy, even when they are demonstrably inefficient. It is the same reasoning that allows, for example, a country where 37.5% of the population still lacks access to sewage collection to continue defending the maintenance of bloated and deficit-ridden state-owned companies.[11] It is not surprising, therefore, that federal state-owned enterprises accumulated a deficit of R$8.3 billion between January and August 2025 – resources taken from taxpayers that could instead be invested in vital areas such as health, education, and public safety.[12]

In Brazil, the state urgently needs to abandon its controlling and paternalistic position in the economic sphere and become only a facilitator and supporting actor in fostering growth. In the occasions when this has occurred, the result has been noticeable.

PRIVATIZATIONS

Data from Conexis Brasil Digital show that, after the privatization of Telebras in 1998, the number of telephone lines increased more than tenfold, and investments in the sector exceeded R$ 800 billion.[13] Vale, which at the time of its privatization had a market value of R$ 3.3 billion, today exceeds R$ 270 billion and is one of the largest mining

companies in the world. Embraer, on the brink of bankruptcy before being privatized in 1994 during the Itamar Franco administration, went on to lead the global market for regional jets, transforming national technology into a product sought after around the world.[14]

Among more recent success stories, Eletrobras stands out. Privatized in 2022, the largest electricity generation and transmission company in Latin America quickly showed the effects of management free from political interference. In 2024, it recorded a net profit of R$ 10.4 billion, an increase of 136% compared to the previous year; regulatory EBITDA grew 91% in the last quarter, and gross revenue reached R$ 14 billion.[15] In the same period, the company approved the largest dividend distribution in its history—R$ 4 billion—and increased annual investments to R$ 7.7 billion, while maintaining R$ 36.3 billion in cash. Its client base reached 751 customers, 660 of them in the free market, a 65% increase compared to 2023.[15] The company began to operate under a logic of productivity and innovation, oriented toward energy transition and clean technologies, consolidating a new virtuous cycle of efficiency. As president Ivan Monteiro summarized: "Our goal is to accelerate efficiency and asset-safety gains, offering sustainable returns over time."

REDUCING THE 'BRAZIL COST'

Brazil's challenges lie not only in its large number of state-owned enterprises but also in the dense web of bureaucratic, regulatory, and tax barriers that turn the basic act of producing, hiring, and investing into what many consider an exasperating ordeal.

The country has long ranked among the most complex places in the world to do business. According to the World Bank's *Doing Business – Subnational Brazil 2021* report, until recently Brazilian companies spent between 1,483 and 1,501 hours per year just to comply with tax obligations—compared with an average of 155.7 hours in OECD (Organisation for Economic Co-operation and Development) countries.[16] A study by the Brazilian Institute of Tax Planning (IBPT, Instituto Brasileiro de Planejamento e Tributação) estimates that between 1988 and 2023, more than 460,000 tax rules were created in Brazil.[17] The result is a regulatory maze that stifles innovation and drains energy that could otherwise fuel wealth creation.

As shown in Figure 2, the bureaucratic burden imposed on Brazilian entrepreneurs is significantly heavier than that found in OECD countries, in the BRICS, and across Latin America and the Caribbean (LAC).

This complexity contributes directly to stagnant productivity. Today, the average Brazilian worker produces roughly one-quarter of what an American worker produces—a ratio that has changed very little since 1980.[3] With each new rule, tax, or reporting obligation, the country moves further away from efficiency and reinforces a model dependent on the state and marked by high levels of informality.

The Brazil Cost also has a significant fiscal component. In 2023, Brazilian government spending reached R$ 4.96 trillion, equivalent to 45.3% of GDP, according to the Treasury's COFOG report. This represented a 1.9-percentage-point increase over

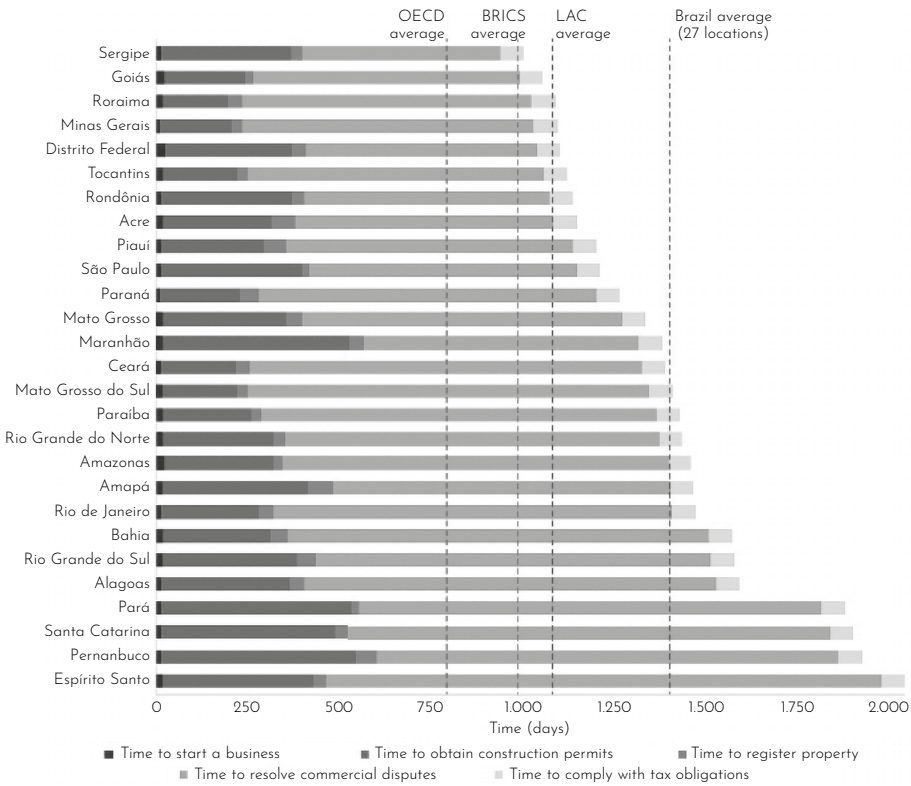

FIGURE 2. Time (in days) spent by companies dealing with bureaucracy in Brazil versus OECD, BRICS, and LAC countries.

Source: IBPT.[6]

2022. Most of this spending was concentrated in social protection (16.8% of GDP) and general public services (11.3%), which include interest payments on public debt and the maintenance of government operations. Meanwhile, functions related to productive investment—such as economic affairs, which include transportation and infrastructure—accounted for just 2.2% of GDP, and total gross investment reached R$ 212 billion, about 4.3% of public spending.[18] In other words, the bulk of public expenditure remains locked into mandatory costs, not into infrastructure expansion or productivity-enhancing policies.

This structural inefficiency raises the cost of everything: energy, transportation, credit, and ultimately the cost of living. Brazil spends like a wealthy country but delivers results typical of a poor one. Entrepreneurs who choose to start a business must navigate slow licensing processes, legal uncertainty, and a heavy tax burden.

The liberal approach to addressing this problem is straightforward: Brazil must replace a "protagonist" state with an enabling state. This means simplifying the tax

system, digitizing processes, eliminating redundant requirements, and seriously evaluating the regulatory impact of every new rule before adopting it.

Much like Deng Xiaoping decentralized economic power from the party bureaucracy and transferred it to China's provinces, Brazil needs to return economic power to its society. China's pragmatism—and the success of the vast majority of its privatizations—illustrates the importance of reducing the size of the state, which, if left unchecked, tends to expand its influence across all sectors over time.

LOOKING TOWARD 2056: A FREER AND MORE PROSPEROUS BRAZIL

Over the past 40 years, China has shown the world the value of political pragmatism. Brazil, despite its natural abundance, human talent, and relative institutional stability, continues repeating the same mistakes: excessive bureaucracy, persistent interventionism, and a stubborn reluctance to embrace economic science. The real challenge is not discovering the right path—it is well known—but mustering the courage to abandon outdated dogmas that continue to hold the country back.

If, in the coming decades, Brazil adopts results-oriented policies, opens space for free enterprise, values merit, and rewards productive effort, then by 2056 the country may finally become what it has long believed itself to be: a nation of the present, not the future.

In this vision of the future, energy will come from efficient companies, not monopolies. Education will train entrepreneurs, not activists. The public sector will be transparent and meritocratic. And politics—once a tool for serving the powerful—will once again serve society instead of demanding obedience from it.

With a strong pro-market agenda, Brazil will naturally recognize that wealth must be created before it can be distributed; that every right granted to one person represents a responsibility shared by everyone else; and that entrepreneurship is the most powerful engine for reducing poverty and increasing prosperity. If even a communist China embraced the benefits of market-oriented reforms, what is stopping us?

The future is already on the table. It is up to us to decide whether we remain prisoners of the past or finally develop the boldness to build the Brazil of the present.

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THE AUDACITY TO CUT: WHY BRAZIL MUST BREAK WITH THE TYRANNY OF PUBLIC SPENDING

INTRODUCTION: A BRIEF LOOK AT BRAZIL'S LONG HISTORY OF FISCAL IRRESPONSIBILITY

For years, Brazil has been trapped in a fiscal dilemma that threatens not only the health of its public finances but also the foundations of economic freedom and sustainable development.

The historical relationship between Brazil's public deficit and its tax burden tells a story of relentless—but insufficient—revenue collection in the face of a rigid and ever-expanding spending structure.

Since the creation of the 1988 Federal Constitution, which redefined the role of the state and dramatically expanded social entitlements, most government expenditures became mandatory and tied to revenue sources, locking the federal budget into a permanent state of rigidity.

The 1994 Real Plan stabilized the currency and eliminated the "inflation tax," allowing revenues to grow more efficiently. Even with tax collection reaching historically high levels, mandatory expenditures have expanded at a much faster pace than GDP.

Brazil has lived under structural fiscal imbalance, prompting the creation of mechanisms like the 2016 spending cap—a rigid fiscal anchor intended to control expenditures, since high revenues did not translate into primary surpluses.

However, what was meant to be a landmark instrument of restraint slowly became symbolic, as Congress carved out multiple exceptions through constitutional amendments. Its successor, the new fiscal framework, suffers the same fate: so many exemptions that meeting its targets has become a mere formality.

The continual real growth of mandatory expenses has consumed nearly all discretionary fiscal space, threatening the basic functioning of government operations.

In this environment, it is crucial to soberly examine the worrying path Brazil has chosen—a path of chronic fiscal irresponsibility that continually replaces necessary austerity with an insatiable appetite for higher taxation.

WHERE WE STAND: A GROWING TAX BURDEN AND SPENDING THAT NEVER SHRINKS

The interaction between Brazil's high tax burden, its regulatory complexity, and the uncertainties surrounding the proposed tax reform reminds us that the state's hunger for revenue has limits. Beyond those limits, economic freedom and prosperity are eroded.

Populist rhetoric often portrays public spending as a driver of growth. But Brazil's fiscal reality resembles a patient in intensive care. The numbers are unambiguous—and alarming.

Brazil's Federal Court of Accounts (TCU, Tribunal de Contas da União) has placed the sustainability of the national debt on its "High-Risk List".[1] According to the International Monetary Fund, Gross General Government Debt (DBGG)—one of the most important macroeconomic risk indicators—is projected to reach a dangerous 98.1% of GDP by 2030 (Figure 1).[2]

A debt approaching the size of the entire economy leaves the country extremely vulnerable and pushes its public finances toward exhaustion.

This swelling debt—far above that of comparable emerging economies—feeds inflationary pressures and drives the government to constantly seek new ways to extract resources from individuals and businesses. It also shapes the decisions of Brazil's Central Bank when setting the Selic interest rate.

The return to a primary deficit demonstrates the public sector's inability to live within its means. Yet with Brazil's tax burden hovering around 33% of GDP[3]—comparable to wealthy OECD countries—there is no room left to raise taxes.

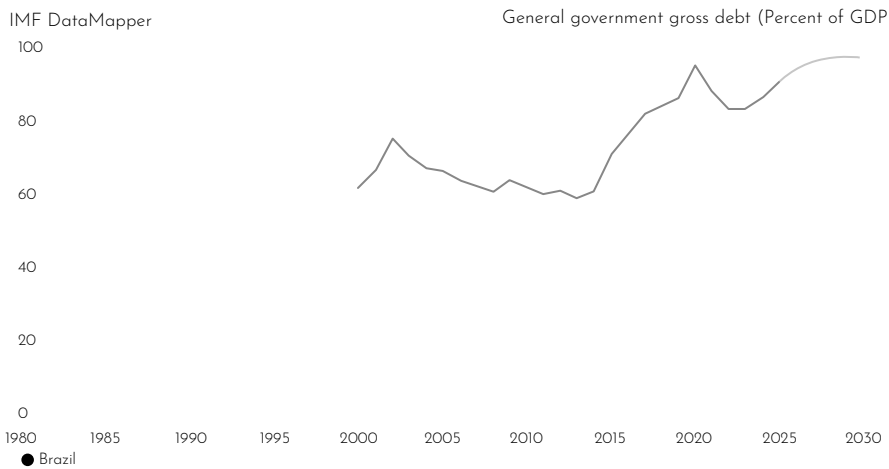

FIGURE 1. Gross General Government Debt—Brazil.
Source: IMF.[1]

On the other hand, the tax burden in Brazil competes with that of nations far more developed than our tropical country. The gross tax burden of the general government—that is, the ratio between GDP and the total taxes collected by all levels of government—is very close to the average of the Organisation for Economic Co-operation and Development (OECD), according to data from the National Treasury itself (Figure 2).[4]

And the impact on the private sector is enormous. According to the Brazilian Institute of Tax Planning (IBPT, Instituto Brasileiro de Planejamento e Tributação), Brazilians work 149 days per year just to pay taxes (Figure 3).[5]

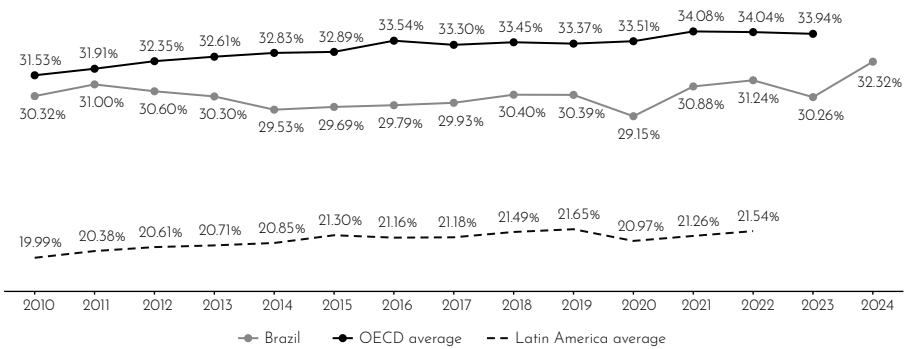

FIGURE 2. Evolution of the Gross Tax Burden – Brazil vs. OECD average.
Source: Brasil.[4]

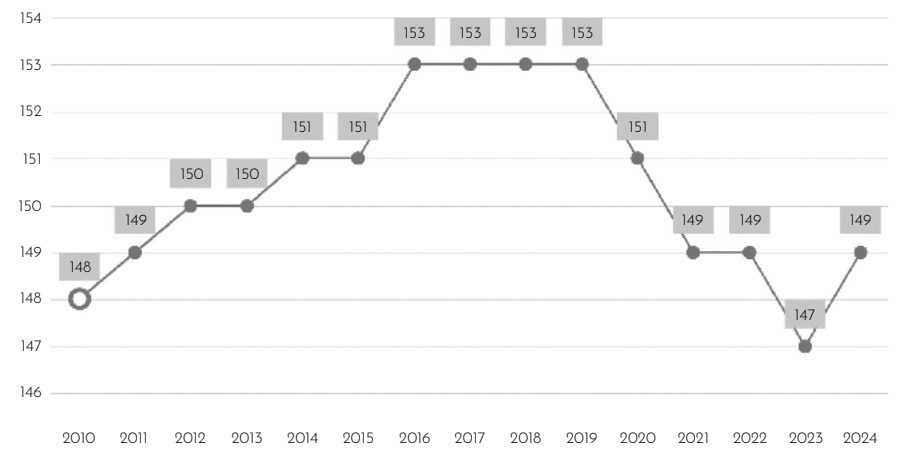

FIGURE 3. Days worked to pay taxes in Brazil.
Source: IBPT.[5]

On the other hand, the return of these resources to the population is minimal compared with the magnitude of government revenue. Among the 30 countries with the highest tax burden, Brazil provides the lowest return to society in terms of well-being, based on indicators that compare the tax load with the country's Human Development Index (HDI).[5]

What this reveals is a country with public finances increasingly out of control—one that continually seeks to raise more revenue to cover its expenses, without generating any real benefit for taxpayers, and that, instead of reducing spending, continues to expand it.

However, the relentless growth in tax collection is ultimately constrained by taxpayers' ability to contribute. The tragedy of Brazil's fiscal policy becomes clear when we apply the Laffer Curve, which demonstrates that there are limits—if not moral, then economic—to the government's appetite for revenue.

The Laffer Curve theory, developed in the 1970s by American economist Arthur Laffer, suggests that there is an optimal tax rate that maximizes government revenue without stifling economic activity (Figura 4). Beyond that point, any increase in tax rates results in a decline in total revenue, due to both the exhaustion of taxpayers' capacity to pay and the disincentive to engage in productive activity.

Several empirical studies conducted in Brazil between 1994 and 2014 examined how well Laffer's model fits our economic reality.[6] Although the relationship manifests itself in complex ways within our system, the logic is indisputable: An excessively heavy tax burden makes the system inefficient and constrains sustainable growth.

Therefore, the theory clearly indicates that, after tax rates exceed a certain threshold, revenue begins to fall, as the increasing burden introduces a "distortion coefficient" that pushes the real system ever further from the ideal.

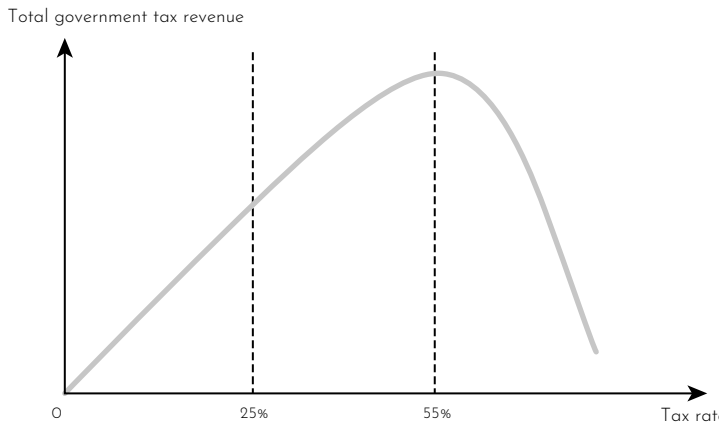

FIGURE 4. Laffer curve model.

Source: Dicionário financeiro.[7]

The French economist Frédéric Bastiat,[8] in his essay *That Which is Seen, and That Which is Not Seen*, explains that the economic effects of public policies extend far beyond what is immediately visible. He also notes that government intervention produces hidden consequences that are often overlooked by policymakers.

In the case of Brazil's tax system, "that which is seen" is the collection of taxes accompanied by promises of public investment and improvements in service quality. "That which is not seen," however, are the companies discouraged from investing, expanding, or creating jobs—and that consequently seek more financially viable environments by relocating to other countries.

Without a doubt, Brazil's position on the downward slope of the Laffer Curve is more than an academic hypothesis; it is the lived reality of business owners who feel compelled to close their doors or move into the informal economy, unable to generate wealth in a hostile environment.[9]

Brazil's experience reinforces Bastiat's predictions. Excessive taxation and state intervention suppress economic growth and generate invisible side effects such as informality, tax evasion, and capital flight.

This is why fiscal adjustment must come from reducing government spending rather than the relentless pursuit of higher revenue at a point where the state is already confiscating future growth.

In a country where the tax burden rivals that of developed nations, the solution to the public-budget deficit can no longer be raising taxes, but rather adopting fiscal discipline.

THE NECESSARY PATH: SPENDING CUTS AND THE ARGENTINE EXAMPLE

Austerity is not an ideological dogma, but the responsibility to avoid burdening future generations with today's excessive spending. The debate, however, is often derailed by arguments that portray austerity as socially regressive.

Contrary to that view, many argue that the issue is not the existence of public spending per se, but its inefficiency and composition. Official data show that mandatory expenditures—those shielded by law, such as pensions and payroll—account for more than 90% of the federal government's primary spending.[10]

In practice, this means that the public sector is rigid and locked in, channeling resources into areas that generate little return while leaving minimal room for productive investment. Furthermore, analyses by the World Bank conclude that similar—or even better—public-service outcomes could be achieved with lower spending and better policy coordination, reducing overlap and saving resources.

Successful fiscal adjustments, as shown in studies of OECD countries, tend to have the greatest positive impact on growth when they focus on reducing expenditures rather than simply raising taxes.

Brazil is, therefore, on a collision course with crisis unless it breaks with the logic of political convenience and adopts fiscal austerity.

Any discussion of fiscal adjustment inevitably leads to the relationship between taxation and economic growth. Brazil has one of the highest tax burdens in the world, hovering between 32.11% and 33.7% of GDP in recent years.[3]

A high tax burden on its own reduces profitability, limits investment capacity, and increases uncertainty for entrepreneurs.[9] In other words, if the country continues to tax its citizens to exhaustion, it will not only fail to resolve the deficit but will also undermine its own economic growth.

If Brazil intends to reverse this scenario, it must abandon the cycle of successive tax increases and focus on reforms that promote productivity and competitiveness. Simplifying the tax system, reducing the tax burden, and cutting spending through structural reforms are essential to building a more dynamic and sustainable economic environment.

And the example of this approach lies next door. Javier Milei's Argentina has shown significant economic improvement through public-spending cuts and downsizing of the state apparatus.

When Milei took office in December 2023, he inherited excessive and uncontrolled spending from previous administrations, rising inflation, and an economy entangled in capital controls and multiple exchange rates. Decades of Peronism had culminated in economic decline, with a poverty rate of 40% and inflation of roughly 200% per year.

As his first act in office, through decrees of necessity and urgency, he implemented major public-spending cuts, including reducing the number of ministries by half and dismissing 24,000 temporary or "ghost" public employees, followed by sweeping deregulation measures.

The number of ministries was reduced from 18 to 8, with the elimination of several secretariats and agencies deemed inefficient. More than 34,000 public positions were abolished as part of a broad effort to shrink the state in a country known for its large public sector and powerful unions. Subsidies in key sectors such as transportation, energy, and fuel were drastically cut.

The fiscal adjustment brought clear benefits to the economy. Data from Argentina's Ministry of Economy indicate that the accumulated primary surplus reached 746.9 billion Argentine pesos (approximately US$753 million) by October 2024.

The country's indicators worsened shortly after Milei took office but have since improved rapidly. The growing representation of his political coalition further suggests that the Argentine population has embraced the austerity agenda. One of the administration's most celebrated achievements has been the fiscal surplus—the country's first in 123 years.

It is true that Argentina still needs important structural reforms, but its population has sent a clear message: They are willing to endure short-term sacrifices to secure long-term gains. It is a relevant example that demonstrates not only that severe economic crises like Argentina's can be solved but also that the remedy—though often unpopular—is fiscal austerity.

It is evident that austerity must be accompanied by other measures that foster economic development, such as deregulation and trade liberalization, enabling the full potential of the entrepreneurship that drives the country.

But the first step is clear: Taxpayers can no longer sustain the size of the public sector, and Brazil must stop overspending.

To achieve this, a series of measures is necessary, including stronger oversight and transparency in government expenditures, the implementation of rigorous fiscal-control mechanisms—such as reinstating the federal spending cap—and the adoption of systematic spending-review procedures similar to those used by OECD countries, as well as structural reforms that reduce long-term obligations.

A deep administrative reform is essential if Brazil is to reduce public spending. One important measure is the elimination of unnecessary departments and public positions, as implemented by Milei in Argentina. The state must be downsized, and those who remain in public service should be rewarded based on efficiency and productivity, supported by clear metrics and continuous evaluation.

Revising career structures, cutting excessive salaries, and ending the various "attached perks"—supplemental benefits of many kinds, most of which are not even subject to taxation—are necessary actions to streamline government operations and eliminate the abundant privileges that verge on the absurd in a country where the population is largely poor.

THE TAX REFORM, THE PROMISE OF SIMPLIFICATION AND THE RISK OF HIGHER TAX BURDENS

In this chaotic context, the new consumption-based Tax Reform emerges as a potential relief, but it carries significant risks to the ideal of economic freedom because it focuses on changing the structure rather than reducing the fiscal burden.

The Constitutional Amendment Proposal approved by the National Congress aims to unify federal taxes (IPI, PIS, Cofins), state tax (ICMS), and municipal tax (ISS) into the Goods and Services Tax (IBS) and the Contribution on Goods and Services (CBS), which together will form the national Value-Added Tax (VAT). The model promises long-awaited full non-cumulativity and destination-based taxation—both undeniably positive components of a modern tax system capable of supporting economic development.

However, the greatest risk lies in the uncertainty surrounding the tax rate and the real possibility of an increased burden.

Estimates released by Brazil's Ministry of Finance in 2023 projected a combined standard rate (IBS + CBS) of between 26.5% and 28%, which would make it one of the highest VAT rates in the world. This scenario is particularly critical for the services sector, which largely operates under the presumed-profit regime and now faces a potentially existential rise in costs.

Experts warn that an increase in final prices is inevitable and that, in practice, there will be no neutrality in the tax system, since higher prices reduce demand and undermine competitiveness.

This context naturally leads us to question: If the tax reform merely replaces six taxes with a single, higher one—without reducing the enormous state apparatus it is meant to fund—are we dealing with a true reform or simply a revenue-rearrangement exercise?

For a country seeking economic development, the focus should clearly be on reducing the overall tax burden rather than perfecting the mechanisms of collection.

Thus, genuine fiscal adjustment—and the path toward the country's economic development—rests on the courage to reduce the size of the state. Brazil urgently needs a shock of austerity that targets privileges and inefficiency, not productive capital.

Comparative history offers clear examples of nations that prospered by adopting leaner and more competitive fiscal systems. Although Brazil's challenge is not to replicate models wholesale, it must learn the fundamental principle common to most success stories: Prosperity is not generated by public spending, but by the freedom to undertake and the assurance that the fruits of one's labor will be respected.

It is evident that the Brazilian state needs a strict expenditure-control regime and institutional checks on its taxing power that restore taxpayers' capacity to contribute.

The urgency of Brazil's fiscal adjustment is both an economic survival issue and a matter of coherence with the principles of a free society. As long as the state continues to operate with a chronic deficit and a tax-collection apparatus that is both complex and insatiable, sustainable growth will remain a mirage.

Civil society must therefore rally around the only responsible agenda: public-spending austerity, rigorous evaluation and elimination of ineffective fiscal privileges, and a tax reform that truly simplifies the system and seeks a real reduction in the tax burden.

In a country where collapse is more than a possibility, the defense of economic freedom requires the audacity to cut. It is time to stop penalizing producers and entrepreneurs, to stop sustaining state gigantism at the expense of productive capital, and to finally honor the principle that taxpayers' money belongs to the taxpayer.

Fiscal freedom is the foundation of prosperity, and Brazil has no time to lose.

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HUMAN CAPITAL AND WELL-BEING

No project of a country can stand without people who are prepared, healthy, and secure enough to live, work, and build their futures. This subsection addresses what lies at the heart of development: human capital and the conditions that allow it to flourish.

In 2026, Brazil continues to face persistent challenges in education, productivity, inequality of opportunity, and everyday safety—issues that, when neglected, condemn the country to low growth and ongoing social frustration.

The essays gathered here seek to bring liberal principles closer to practical solutions: encouraging individual choice, valuing autonomy, creating the right incentives, and removing barriers that prevent individuals and communities from advancing.

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BRAZILIAN EDUCATION: A SILENT TRAGEDY

INTRODUCTION

It is common to hear young people claim that there is a lack of opportunity and that studying no longer guarantees a future. At the same time, business leaders say they cannot find qualified professionals. If both are right, where is the disconnect? Has the educational system really improved, as the indicators suggest, or do the numbers mask deeper structural flaws?

Official data show advances, and reports celebrate progress, but everyday life belies this optimism. Something is out of place: Schools teach more content yet produce fewer capable citizens; students finish high school without the confidence to write, interpret, or solve simple problems; diplomas accumulate without translating into prosperity. In Brazil, the gap between the effort of studying and the reward of learning grows every year, and the national education system resembles a body that still moves but has lost the ability to feel.

Perhaps the problem lies not in classrooms or teachers, infrastructure or students, but in something deeper—a system that has stopped learning about itself. When an educational structure fails to retain good teachers, train new teachers to a high standard, pay competitive salaries, or guarantee basic infrastructure, and yet still tries to adapt to each generation with laws and programs that do little to change reality, the problem ceases to be operational and becomes structural.

Social changes are inevitable, and new generations will always have different ways of learning. Even so, the country keeps insisting on a model that meets each crisis with the same responses. Perhaps it is time to admit that this ailing body needs a different kind of medicine—and that the cure may lie in decentralizing the power Brasília has concentrated over education, restoring vitality to local networks and autonomy to those closest to the students.

This article is a clinical look at this disease—understanding its symptoms, identifying its causes, and measuring the cost it imposes on the country. The goal is not to accuse, but to understand so that, perhaps, the body can feel again and learning can transform once more.

THE SYMPTOMS OF THE DISEASE

Brazil has overcome the challenge of universalizing access to school, but it has not yet overcome the challenge of teaching well. The 2023 Functional Literacy Indicator (Inaf, Indicador de Alfabetismo Funcional) shows that about 28% of Brazilians between the

ages of 15 and 64 are functionally illiterate, unable to interpret simple texts or perform basic mathematical operations.[1] The 2022 Programme for International Student Assessment (PISA) confirms that Brazil continues to lag about three years behind the average of the Organization for Economic Cooperation and Development (OECD) countries in reading, mathematics, and science.[2] Behind these numbers are millions of young people who pass their school years without understanding what they read and without being able to apply what they learn. Literacy has been achieved, but without depth, and school attendance has become mere presence without learning.

These effects are evident every day. Immediacy has become the norm: Long texts feel burdensome, sustained reasoning is unwelcome, and patience—essential to learning—has become a rare commodity. This is not simply the influence of technology; it is the result of a system that has conditioned students and teachers alike to seek quick results. Learning has become about answering, not thinking, and the value of knowledge has given way to the rush to finish. That superficiality carries a human cost. Families struggling with economic hardship come to see school as a temporary obstacle rather than an investment. Teenagers drop out to work; others try to launch businesses without a knowledge base. The cycle repeats—those who study little earn little, and those who earn little study less. For millions of young people, the future shrinks to running a micro-business for survival, scrolling social media, and placing bets on online games.

This is the silent tragedy the country prefers not to see. Brazil celebrates targets met while living with a learning void. The Brazilian Basic Education Development Index (Ideb, Índice de Desenvolvimento da Educação Básica) rises as critical thinking declines. Exhausted teachers and unmotivated students keep a system alive that moves without responding. This is the direct consequence—not the cause—of decades of choices that valued the appearance of progress while neglecting the essential purpose of teaching. To understand how education reached this state of inertia, we must examine its anatomy and revisit its origins.

THE ROOTS OF CENTRALIZATION

The centralization of Brazilian education arose from understandable intentions within a favorable historical context. At the end of the military dictatorship, the country sought to rebuild its democratic identity and address regional inequalities that had accumulated over decades. The 1988 Constitution enshrined education as a right for all and a duty of the state, in an attempt to repair the omissions of the authoritarian past. The 1996 Law of Guidelines and Bases for National Education gave legal form to this ideal, proposing a system that combined freedom of education with national coordination, so that no Brazilian would be left behind.

In the following years, the Fund for the Development of Primary Education (Fundef, Fundo de Desenvolvimento da Educação Fundamental) in 1996 and then the Fund for the Maintenance and Development of Basic Education and the Valorization of Education Professionals (Fundeb, Fundo de Manutenção e Desenvolvimento da Educação

Básica e de Valor ização dos Profissionais da Educação) in 2006, which became permanent in 2020, consolidated the redistribution of resources and reduced asymmetries in spending per student. The Basic Education Assessment System (Saeb, Sistema de Avaliação da Educação Básica), the National High School Exam (Enem, Exame Nacional do Ensino Médio), and the Ideb introduced transparency and goals. The promise seemed balanced: The federal government would set the course, and the states and municipalities would execute it efficiently, so that all students could have similar opportunities anywhere in the country.

Gradually, however, the architecture designed for cooperation became an instrument of command. Federal standards, which were supposed to function as a floor, began to operate as a ceiling for nearly all decisions, and the culture of targets—created to shed light on performance—began to reorganize teaching itself. Research by Alavarse and Bauer[3] shows that schools and networks started planning their calendars, content, and assessment practices around what tests measure, to the point where hitting the metric became the goal, rather than learning.

In the 2010s, the creation of the National Common Core Curriculum (BNCC, Base Nacional Comum Curricular) sought to guarantee minimum opportunities for all, but it was applied as a uniform design for profoundly different realities. In Belém do Pará, whose economy is connected to maritime activities, it would make sense for training to emphasize skills related to fishing or mechanical engineering; in Carlos Barbosa, in Rio Grande do Sul, the metallurgical sector demands courses focused on industrial-chain automation and production engineering. Despite these differences, both cities follow nearly identical paths. Instead of reflecting the world around each student, schools began offering an abstract and distant curriculum, disconnected from local vocations and the actual job market. The need for differentiation was real, even if the full scale of what was possible was not yet visible.

In recent years, secondary education reform has attempted to correct this misalignment. Initiated in 2017 and revised in 2023, it brought coherence by introducing vocational pathways and space for elective subjects, allowing each school system to adapt part of the curriculum to its own needs—another well-intentioned step. Yet the practical conditions for that promise to materialize were missing: infrastructure, teacher training, and technical support. In many states, the announced autonomy gave way to improvisation, and the reform ultimately exposed the country's structural dependence on central directives. None of this is the result of bad faith. Centralization was, at the time, a gesture of institutional reconstruction, born of the desire to ensure equity after authoritarianism.

The problem is not with the people, but rather with the belief that the center can feel and decide better than those who live the reality of school. Centralization ensured predictability and transparency and, at the same time, transformed desirable cooperation into permanent guardianship; the architecture that previously supported education began to restrict its movements. Recovering the ability to learn is, therefore, recovering the health of the system: Allowing each part of the body to react

autonomously and intelligently again, learning to heal itself so that the dream of a better life through dignified means is part of the life of the entire population.

THE ANATOMY OF COLLAPSE

The modest results, despite wave after wave of reform, are no accident. When different policies aimed at improving a system consistently produce the same effects, there is a common cause. The problem with Brazilian education does not stem from a lack of effort but from a system so large and rigid that it can no longer learn from its own mistakes—a dynamic that thinkers across generations have studied and named.

The economist Friedrich Hayek[4] demonstrated that no decision-making center can gather all the knowledge dispersed throughout society. In attempting to do so, the center reduces diversity to statistics and experience to numbers. This is precisely what happens when a school's success is measured by the center's own yardstick, on the assumption that only the center knows what is best. The national average, which should serve as a gauge, becomes a prescription. The illusion of progress takes hold: The numbers improve, but real learning remains stunted. Schools, pressed to show immediate results, find themselves unable to balance what is being measured against what is being taught—and when forced to choose, they let go of the one that carries no enforcement. This statistical myopia combines with the logic of bureaucratic incentives described by James Buchanan:[5] In centralized structures, innovating is risky, and following the protocol is safe. Managers and school secretaries thus learn to devote more time to what indicators require and less to what each student needs. Automatic grade promotion—an increasingly common policy—exemplifies this vicious cycle: Maintaining a high pass rate generates prestige and stability, even when learning is superficial. The case of Rio Grande do Sul in 2025 illustrates the trap.

The state administration decided to relax grade-retention rules once again, allowing students with low marks to advance in order to ease pressure on teachers and school systems. The decision, taken after years of resistance, revealed not the bad intentions of administrators, but the coercion of a model that punishes divergence. The governor and the secretary of education, like so many before them, responded rationally to a system that rewards numbers and discourages disruption. Over time, education policymakers came to fear error more than failure itself. Rather than treating error as part of learning, they turned it into evidence of incompetence—something to be eliminated at any cost. The result is a system that prefers to appear stable rather than to be intelligent. The philosopher Nassim Taleb[6] calls this phenomenon fragility: Large, homogeneous systems cannot tolerate mistakes, so when they fail, they fail entirely. Smaller units—schools and autonomous municipalities—can stumble, correct course, and move on with less damage, damage that is more easily reversed. This capacity to fail safely is what makes a system antifragile—it is strengthened by error rather than undone by it. Brazilian education did the opposite—it armored itself against error and, in doing so, cut off its own ability to learn.

These three ideas—Hayek's dispersed knowledge, Buchanan's incentives, and Taleb's fragility—help explain why the crisis persists. A single curriculum, standardized testing, and centralized funding are useful and necessary tools; they can be valuable when treated as means. But when rigidly combined, they produce a bureaucratic mindset that substitutes pedagogical intelligence with compliance. The country has learned to measure results while forgetting to improve what it measures. When measurement becomes more important than learning, education loses its meaning. Schools and networks begin to function as accountability offices rather than spaces for discovery. Teachers stop teaching what they believe matters in order to teach what assessments require, and creativity gives way to conformity.

Recognizing this does not mean rejecting goals—it means restoring their purpose. Meaningful quality goals can serve the whole country when they serve learning, not the other way around. The challenge is not to eliminate benchmarks but to allow each school system to learn from its own reality. Only then will Brazilian education begin to respond again, recovering the sensitivity and self-healing capacity it has lost before the disease advances further.

THE EVIDENCE TO THE CONTRARY

There are ample examples, both inside and outside Brazil, showing that it is possible to combine a common baseline with local autonomy without sacrificing quality. Estonia rebuilt its system by prioritizing school autonomy and teacher training, turning teaching into a prestigious profession and school governance into a community endeavor. Closer to home, Chile has since the 1990s balanced national quality goals with broad school freedom to choose the means of achieving them—combining central coordination with local autonomy on the recognition that the center cannot manage everything. This is notable given that Chile has fewer than 20 million inhabitants spread over 756,000 km². For context, the state of São Paulo alone has 46 million inhabitants across 248,000 km², and Brazil as a whole has 212 million across 8,516,000 km². Mexico and Colombia, meanwhile, have transferred parts of educational administration to states and municipalities, with modest but consistent improvements in literacy and dropout rates. These experiences—distinct in culture and scale—converge on a common principle: When the center sets clear goals and entrusts the periphery with choosing the means, learning tends to flourish.

Within Brazil, Ceará has become a benchmark by building a horizontal cooperation network between the state and its municipalities. Goals are clear and public, data is open, and technical support is continuous. Performance incentives exist but do not suppress local freedom. According to the Institute for Research and Economic Strategy of Ceará (IPECE)[7] and the Ministry of Education (MEC),[8] Ceará has led the Ideb elementary school rankings for more than a decade, demonstrating that cooperation and transparency yield better results than top-down imposition. Further west, Rondônia addressed a teacher shortage with ingenuity: It built a network of asynchronous lessons produced by teachers in the capital and delivered to remote schools, often with a

single facilitator in the room.[9] It is an example of innovation born from necessity, and of how decentralization can generate solutions fitted to local reality.

These results do not point to coincidence; they reveal a pattern that transcends borders. Scholars from different disciplines—economics, political science, public administration, sociology—have arrived at the same conclusion by their own paths. The concept of polycentric systems, developed by Elinor Ostrom[10] —the first woman to receive the Nobel Prize in Economics—shows that multiple decision-making centers learn better than rigid hierarchies when they operate under common principles. Alexis de Tocqueville,[11] observing the vitality of local governance as the foundation of nineteenth-century American democracy, anticipated the same idea: Institutional strength comes from the edges, not the center.

These theories, drawn from different fields, converge on a practical lesson: Local freedom improves collective learning. When power is distributed and trust replaces control, the system becomes more agile, more responsive, and more capable of innovation. The center sets direction; communities at the grassroots discover how to get there. That is where genuine quality is born. Quality grows when a country learns to treat its diversity as an asset in pursuit of shared goals. Rather than expecting all school systems to replicate each other, national coordination can serve as an enabling condition—providing technical support to those who need it, measuring results with comparable tools, and facilitating the exchange of effective practices.

Brazil does not need to abandon its common language for each school to find its voice; it only needs to recognize that responsible freedom means less risk and more intelligence. This is where the chance lies for the educational system to react again and, little by little, begin its healing process.

THE INVISIBLE COST

The silent tragedy of Brazilian education exacts its toll far beyond the classroom. It infiltrates the economy, politics, and daily life, eroding the very foundation of a country's development: confidence in learning. Low-quality education is the principal invisible barrier to national growth and the thread that connects much of Brazil's chronic underperformance. Labor productivity has barely grown in decades. According to the Institute of Applied Economic Research (IPEA, Instituto de Pesquisa Econômica Aplicada),[12] each additional year of schooling raises individual income by roughly 10%—but that gain diminishes when learning is superficial. The country issues diplomas, not competencies, and credentials stripped of substance have lost their power to change lives.

The cost shows up not only in small daily frictions but in the brake it places on the country's development. When the educational base is weak, there is a shortage of people capable of creating solutions, improving processes, and growing businesses. The economy stops innovating and starts repeating what already exists. Without a workforce prepared to take on new ventures, the domestic market contracts, productivity stagnates, and the country grows dependent on importing ideas and technologies it could produce itself. The result is a cycle of poverty disguised as normalcy: inefficient

services, scarce credit, long wait times, endless lines. In societies that invest in basic education, these are exceptions; here, they have become routine. The hours Brazilians spend waiting are the same hours other nations spend building.

The effects extend to finance as well. The Brazilian market has grown accustomed to treating government bonds as the safest investment—not because of their productive potential, but because the environment for innovation is fragile and risky. Poor education dampens risk appetite, stifles technical curiosity, impoverishes critical reading, and weakens the human capital on which entrepreneurship depends. A society that learns little tends to save poorly, invest poorly, and innovate even less.

Inequality compounds the problem. The World Bank[13] estimates that educational inefficiency costs Brazil roughly 3% of gross domestic product (GDP) per year—equivalent to more than R$300 billion in lost productivity and foregone social mobility. This translates into stagnant wages, limited opportunity, and widespread mistrust. When learning is weak, public debate grows shallow, voting becomes impulsive, and politics slides toward spectacle. The country becomes more expensive, slower, and less free.

These effects converge on the same diagnosis: Poor education is an economy of waste. Every student who advances without learning adds to the invisible bill we all pay in high interest rates, poor services, and missed opportunities. The cost of ignorance is daily, silent, and shared—an involuntary tax levied across generations. In the end, this cost is not only visible in graphs. It shows up in the discouragement of those who have stopped believing in merit, in the quiet acceptance of a brain drain as young people leave, in chronic dependence on the state, and in a pervasive fear of failure. When learning does not flourish, society loses not only income but also hope. Poor education is a machine of lost potential that prevents the country from hearing its own future.

CONCLUSION: HEALING THE DISEASED BODY

Brazilian education has become a body that still breathes but has long since ceased to feel. The silent tragedy running through its veins is made up of good intentions hardened into uniformity, and policies that promise to heal but only prolong the malaise. The challenge, beyond expanding access to school, is to restore the meaning of learning—giving education back its power to transform lives.

Centralization, created to ensure fairness, ultimately produced immobility; uniform goals and curricula generated incentives that reward compliance and punish innovation. The country grew accustomed to mediocrity because it confused equality with standardization. Even so, the path forward is visible: Local experiences have shown that autonomy is not synonymous with disorder and that decentralization is a mark of institutional maturity. The thinking of Hayek,[4] Buchanan,[5] Taleb,[6] and Ostrom[10] converges on a simple and profound truth: Free systems learn better because they rely more on the intelligence of people than on the omniscience of structures.

Healing a sick body requires acknowledging the severity of the disease and trusting in its capacity to regenerate. Brazil has shown, at different moments in its history, that

it can reinvent itself when it allows the talent and effort of its people to speak louder than the fear of failure—and if the country has not fallen further, it is largely because of Brazilians' extraordinary resourcefulness under constraint. Education must be the next chapter of that reinvention. Meaningful quality goals can—and should—be sound policy for the whole country, so long as they serve learning rather than the reverse.

We can aspire to something greater than meeting national targets. Brazil needs a national project—a compact that brings all its parts together to think and decide within their own contexts, so that every Brazilian can once again believe that individual effort can produce collective results. The healing begins when the system starts to feel again—when the state listens to schools, schools listen to students, and the country listens to itself. Because a nation that learns again also grows again. And as it grows, it reclaims its lost confidence—the conviction that the future belongs to those who learn, not merely to those who comply.

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HEALTH IS PRICELESS, BUT WHO WILL PAY FOR IT?

In 2025, Brazil stood out as the epicenter of health innovation in Latin America. With more than 600 healthtechs—64.8% of Latin American health startups—in 2024, the sector raised R$799 million in investment, a 38% increase over the prior year.[1] As in many other sectors, the pandemic was a catalyst: The number of startups jumped 118% compared to 2018.[2]

When we talk about innovation in healthcare, we are referring not only to artificial intelligence, cutting-edge medical devices, or robotic surgery, but also to a wide variety of products. Brazilian healthtech companies explore the different pain points of professionals and patients, proposing improvements for the sector as a whole. The products are categorized into management and electronic health records (EHRs), access to healthcare, telemedicine, artificial intelligence and big data, diagnostics, medical devices, fitness and wellness, patient engagement, pharmacy, clinic networks, research and development, prosthetics and orthotics, patient relations, and infrastructure.[1] This wide range supports the trend of continued growth in the sector.

Turning to the key developments in healthcare in 2025—the Unified Health System (SUS) celebrated its 35th anniversary. As a birthday present, it received a 6.2% budget increase compared to 2024[3] and stands to benefit from the newly created Social Infrastructure Investment Fund—Health Sector (FIIS-Saúde), which aims to finance construction projects and the purchase of equipment and vehicles for both the health and education sectors.[4] Yet this is far from enough. In April 2025, the federal government acknowledged that projections for 2027 already point to a funding shortfall for the minimum mandatory investments in health.[3] The reality facing the SUS remains one of chronic underfunding, which produces overcrowded wards, growing waiting lists, regional inequalities, and burnout among healthcare workers.

Confronted with these two realities, it is troubling to understand how they can coexist in the same country. With so much technology, so many skilled professionals, and such evident appetite for change, why does the future of healthcare in Brazil remain so uncertain?

The sector's divide is, in the end, nothing more than a mirror of the country's own inequality. The more new technologies emerge—and the more the SUS stagnates—the wider that divide will grow.

THE BRAZILIAN UNIFIED HEALTH SYSTEM (SUS)

The story began in 1986, at the 8th National Health Conference—the first open to the public. It resulted in the creation of the Unified Health System (SUS, Sistema Único de Saúde) and the definition of health as a right for all and a duty of the Constitutional State.

Regulated by Laws No. 8,080/1990[5] and No. 8,142/1990,[6] SUS aims to promote, protect, and restore the health of Brazilians, financed through state and municipal health plans as well as a Union contribution set as a percentage of gross domestic product (GDP)—as established by Complementary Law No. 141 of 2012.[7] Criticized by some and fiercely defended by others, it is a rare common ground in Brazil's deeply unequal society. SUS serves all segments of the population without distinction. Its mandate extends beyond treating disease to encompassing the full continuum of health and illness, including epidemiological surveillance, sanitation, environmental protection, health workforce development, and scientific and technological advancement, among other areas.[5,6]

SUS is a complex system, but it is most visible through one of its several lines of action: direct patient care. A patient's journey through the system follows the Health Care Networks, which establish a flow moving from primary care, to secondary care (specialized treatment), and on to tertiary care (highly complex services).

The principles that guide the organization of the SUS are universality, equity, and comprehensiveness. With these precepts, it aims to guarantee 212 million Brazilians quality care that reduces inequalities and is capable of preventing, promoting, treating, rehabilitating, and integrating health with other public policies. Considering the current scenario, doesn't this seem somewhat utopian?

THE PRIVATE SECTOR

As noted above, expectations for the public sector are grim while those for the private sector look bright. The SUS is under enormous strain. It needs resources—or, at the very least, to do more with the ones it has. Startups seem to have the solutions, but they struggle against barriers to enter the sector and multiply. However, *how receptive is healthcare to entrepreneurial activity?*

About 70% of the startups in the innovation hub of the Albert Einstein Israeli Hospital have not yet entered the SUS, precisely because of how difficult the system is to navigate.[8] What they found was that the door to the private sector is essentially open, while the door to the public sector requires deciphering a combination lock.

This dynamic is driven by the intensely competitive environment that has developed in the private sector and the consequent pressure on healthcare professionals to stand out. According to the Brazilian Federal Council of Medicine,[9] Brazil has never had more physicians than it does today—approximately 600,000, or a density of 2.8 per thousand inhabitants, ahead of the United States, Japan, and China. The

same holds for dentistry: According to the Brazilian Federal Council of Dentistry,[10] 19% of the world's dentists practice in Brazil (roughly 400,000 professionals).

On top of a wide range of professional stressors—workplace pressure, constant public contact, teamwork demands, the encroachment of work on personal life, and the need to manage finances without having been trained to do so—health professionals now face the additional challenge of distinguishing themselves in a crowded market.[11-14] Most healthcare businesses follow "solution shop" models, in which the value proposition is essentially the resolution of complex problems through skilled labor.[15] The sector is highly regulated and erects significant barriers to new technologies, business models, and treatments. Professionals must navigate this environment and find ways to set themselves apart—which is where healthtechs come in.

Given that the core asset of any healthcare business is the expertise of its staff and that the regulatory environment constrains innovation, the strongest competitive model for healthcare providers is one built on value-added business processes—minimizing costs through process standardization, waste reduction, and superior patient experience.[15] Healthtechs appear to have the answers. The products they offer advance not only biotechnology, medical devices, and clinical treatments, but also business management and the patient experience—differentiating the providers and clinics that adopt them from those that do not.

THE GAP

With most products being business-to-business (B2B), healthtechs already know how to access the private sector. However, approximately 76% of the Brazilian population depends exclusively on SUS.[16]

This means that until healthtechs enter the public sector at scale, they will be addressing only a quarter of the market. That is commercially unattractive for them—and it also means that the majority of Brazilians have no access to these new technologies, deepening the gap between public and private healthcare.

Those who can pay can have their genome mapped and learn about diseases they may face decades before any symptoms appear. At the same time, 37.5% of Brazilians lack sewage collection at home, and 16.9% do not even have access to treated water.[17]

The opportunity is clear: If the tools, software, and services emerging from the country now recognized as Latin America's epicenter of health innovation were deployed to conserve resources and improve access to care, the gains could be enormous. Yet a health system's receptivity to new technologies depends heavily on the institutional context in which it operates. Policymakers need skill in managing change within complex and dynamic environments like this one.[18]

FEAR PARALYZES

Initially, innovations can be seen as an erosion of quality. This occurs mainly when change exceeds the ability to adapt to it.[18] Because of this, large institutions accept innovations necessary to survive in an evolving market, but tend to avoid those that require major changes.

Given the many challenges SUS already faces, some of the technological solutions now available can seem like luxuries—dismissed as grandiose, excessive, or unnecessary. Yet rejecting them is a classic case of false economy.

The Constitution[19] provides that private entities may work in a manner complementary to the SUS, with preference given to those that are philanthropic or non-profit. For-profit entities cannot receive public funds for aid or subsidies, and companies with foreign capital are prohibited.

Even so, the moment the words "privatization" or "public-private partnerships" (PPPs) enter the conversation, fear and defensiveness surface. Healthcare professionals appear to be paralyzed by the prospect that services will become profit-driven, with ethical principles sidelined, productivity demands maximized, and compensation minimized.

A vivid example was the profession's response to Decree No. 10,530 of October 26, 2020,[20] which called for studies of potential private-sector partnerships to improve infrastructure and modernize Basic Health Units under the Investment Partnership Program. Within hours of its publication, the sector flooded social media with the hashtag #DefendaoSUS (Defend SUS), claiming that its approval would be the path to the privatization of the SUS. The reaction led the federal government to revoke it two days later.[21]

The decree was only authorizing a study—yet the reaction was entirely disproportionate. The profession read it as the first step toward a radical and permanent transformation of a deeply complex system.

Part of what amplified the fear was the decree's macroeconomic framing and the conspicuous absence of the Minister of Health—or any equivalent health authority—from its drafting. The lesson is clear—proposing any innovation in this sector requires careful communication. In addition to the principles of universality, equity, and comprehensiveness, the SUS is governed by the guidelines of decentralization, regionalization, network hierarchy, and social participation.[6] Any change, innovation, or even exploratory study must honor these guiding principles. History shows that without that respect, there will be no buy-in.

When speaking of liberalism, much is made of the importance of discourse and freedom of speech. Unfortunately, liberal arguments are hard to disseminate because of their complexity, while populist rhetoric is more accessible and trades in strategically vague language. Through what Bastiat would call "intelligent selfishness" and false philanthropy, legislators and the laws they pass can end up working against their own stated purposes.

"They would be the shepherds over us, their sheep."
Frédéric Bastiat[22] in *The Law*

IN PRACTICE

The logical next step is to bring private-sector innovations into SUS—but doing so requires working carefully on how the case is made. Given the sector's resistance to innovation and its wariness of private enterprise, the approach must be grounded in the principles and guidelines of SUS. Private institutions need to be positioned as enablers—capable of streamlining processes and extending resources—and it must be made clear that terms like "studies" and "partnerships" do not mean unrestricted privatization, but rather the measured opening of space for controlled private cooperation. Beyond messaging, it is equally essential to point to concrete successes.

Successful collaboration between private and public health initiatives exists both within Brazil and abroad. Cross-sector engagement can develop incrementally, without upending the system overnight. There are numerous examples of startups that have introduced compact and accessible technological solutions in Brazilian public health facilities, such as hospitals and primary care centers.

ImpulsoGov is one such example. It is a non-profit startup that, through the intelligent use of SUS data and technology, identifies health risks and supports evidence-based decision-making. Its flagship product, Impulso Previne, is a primary care management tool focused on prevention and long-term cost reduction. ImpulsoGov is already active in more than 240 municipalities serving over 14 million SUS-dependent Brazilians[23]—demonstrating that a nonprofit organization can enter the public health system and drive meaningful change. A startup that entered the public health system and had a strong impact.

But the model need not be purely philanthropic. Meddit is a healthtech company that uses the software as a service (SaaS) model to facilitate digital flows for prescriptions, medical records, and smart schedules. It integrates with the e-SUS and Meu SUS Digital platforms, sending consultation and prescription data to the national database in real time. In 2024 and 2025, it expanded to 150 municipalities, focusing on primary care. Its products reduce prescription errors and increase appointment adherence, reducing patient absenteeism. In addition, it has a partnership with the Mais Médicos (More Doctors) Program, facilitating teleconsultations, which allow healthcare to reach remote locations. Other examples include SaveLivez, which uses artificial intelligence (AI) to help blood centers linked to SUS maintain blood stocks, avoiding shortages and waste; epHealth, which enables municipal epidemiological mapping and the organization of home visits by community health agents via an app; NeuralMed, an AI for screening and detecting pathologies in imaging exams in seconds; and even SDW for All (Sustainable Development & Water for All), which develops technologies for access to treated water and sanitation in vulnerable communities.[24]

Staying within Brazil, it is worth looking at public-private partnerships that inject efficiency into SUS without "privatizing" it—such as the Souza Aguiar Hospital Complex in Rio de Janeiro. This PPP is a 30-year administrative concession in the "non-care" modality. Under this structure, the private sector handles only infrastructure, modernization, and support services (renovations, asset management,

security, food, cleaning, parking, information technology [IT], and maintenance), while the public sector retains full responsibility for clinical care. Another example is the philanthropic initiative that created the Nora Teixeira Hospital within the Santa Casa de Misericórdia complex in Porto Alegre. The investment delivered results both on the infrastructure front (modern, sustainable design ensuring comfort and safety) and financially (its hybrid model generates revenue that cross-subsidizes SUS).

Beyond Brazil, these examples find parallels in others, notably the Alzira model—one of the most influential in Europe. Named after the La Ribera University Hospital in Alzira, in the Valencian Community of Spain, the model launched in 1999 as an "Integrated PPP." The private partner handles cleaning, maintenance, and IT services, while the public sector retains responsibility for clinical care, consultations, and surgeries. The private contract collects an annual per-capita fee from residents of the Alzira area and assumes efficiency risk—the partner earns more when it optimizes costs without reducing quality, and faces penalties for unmet targets.[25]

NEXT STEPS

The healthcare sector is living with a deep and persistent divide: on one side, a horizon of technological opportunity, with companies developing a broad range of solutions; on the other, a shortage of resources, overextended professionals, and millions of citizens who depend entirely on SUS—facing long waits while their conditions worsen and treatment grows more distant. The gap between these two worlds reflects a system that has repeatedly fallen short of its own guiding principles, particularly its core public mission of equity.

A breaking point has been reached. Brazil needs to abandon the exhausting battle it has waged for years—out of pride, in pursuit of an impossible Pyrrhic victory. The question is not whether to replace the SUS with privatization, but how to build bridges that unite the best of both worlds without undermining either's foundations. The public sector recoils at any meaningful contact with the private sector, above all when the word "nonprofit" is absent. Yet strategic partnerships and hybrid models, as shown by the examples above, offer a viable way forward.

Political discourse is a charged arena in Brazil today, and that reality must be acknowledged. To bring people along, the argument must be made carefully—sidestepping polarization and anchoring itself in evidence. The track record of public-private integration shows that the approach is both viable and sensible, especially when structured around the principles and guidelines of the SUS.

Innovations will, at first, be perceived by some as a threat to quality.[18] Transformations take time, dialogue, investment, and oversight. By working to ensure that innovation and public access advance together, Brazil can build a healthcare system that is both more resilient and more equitable. Health may indeed be priceless—but built this way, the bills can actually get paid.

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EDUCATION IS TOO IMPORTANT TO BE LEFT IN THE HANDS OF THE STATE

WHAT IS EDUCATION?

Every child is born without the abilities of an adult, including the ability to reason fully. Growing up is precisely the process of developing those abilities. Mental faculties, perception, and reason are essential to it. Armed with these tools, children learn and absorb knowledge about themselves and the world. This learning takes place in a concrete context, in which they experiment and practice emerging skills. Their reasoning organizes impressions about people and things, while revealing desires and aptitudes. Along this path, they define their own goals—consistent with their personality, with the moral principles they hold, and with their aesthetic sensibility—and find ways to pursue them.

By adulthood, they will have developed their faculties to the fullest and accumulated a store of values, principles, and knowledge. All dimensions of the person constitute their education, and reducing it to formal schooling impoverishes the concept. Everyone learns all the time—it is a continuous process; in a sense, we are all self-taught. And there is an essential trait of the human condition—each individual forms their own ideas. Others may influence, but no one can determine by decree what someone else should think or value.[1]

In the words of Olavo de Carvalho: Openness to reason is education. Education comes from *ex ducere*, which means to lead out. Through education, the soul is freed from subjective imprisonment, from the cognitive egocentrism typical of childhood, and opens up to the greatness and complexity of reality. The goal of education is the attainment of maturity. The mature man—the *spoudaios* of whom Aristotle speaks—is one who has made his soul docile to reason, making the acceptance of reality his habitual state of mind and thus enabling himself to guide his community toward the good. This point is crucial: No one can guide the community toward the good without first becoming mature in Aristotle's sense.[2]

Although much of an individual's general education does not require formal schooling—physical development comes with food and shelter, and lifelong maturation comes from interacting with others—intellectual knowledge, because it lies beyond the everyday, usually requires study organized in logical stages of observation and deduction, either through comprehensive and systematic books or through a teacher

who masters the subject and adjusts instruction to the student. This is where formal education comes in.

Reading, writing, and arithmetic form the essential foundation of intellectual autonomy. Through them, people access the vast store of knowledge accumulated by civilization. Formal and sequential instruction is most necessary in technical subjects, where content must be presented progressively. For physical skills and spontaneous learning, this kind of structured instruction is far less essential.

THE HEART OF THE PROBLEM

One of the most valuable traits of the human condition is the diversity among people—in preferences as well as in skills and talents. The growth of this diversity is both cause and consequence of civilizational progress through the division of labor. This arrangement is self-reinforcing: It multiplies opportunities for the exercise of judgment and the cultivation of individual interests. Specialization also drives the advancement of knowledge and progress, which in turn enrich civilization. Because abilities and interests are naturally diverse, imposing uniformity on nearly everything leads to a leveling down.

Yet there is one domain where equality is indispensable—the guarantee of an educational environment free from violence against the individual, a necessary condition for the development of abilities and personality. Education does not function under coercion. As openness to reason—*ex ducere*—that is, leading the soul out of subjective imprisonment and cognitive egocentrism—it requires the learner's consent and inner engagement. Coercion can compel presence and silence, but not understanding or the attainment of maturity, which is education's true goal. Intellectual autonomy does not arise from heteronomy—a soul docile to reason is formed by the acceptance of reality, not by fear of sanctions.

Children are born dependent and only achieve autonomy later in life. Until they develop this independence, they cannot act on their own as fully responsible individuals. They need to remain under guardianship, which is a demanding and complex task. This raises the central question: Who is responsible for a child's education, the family or the state? Ultimately, someone will have the power to decide.

Parents have custody and the duty of care because they are the progenitors, they bear natural affection, they have a direct interest in their child's development, and they know their needs and personality intimately. The alternative would be the compulsory removal of the child by the state to educate them directly, which violates parental rights and the rights of the child itself.

One further point bears emphasis. As already argued, the development of reason requires an environment free of violence—it is through such an environment that children become independent. The state departs from this ideal by its very nature, being the "human community that, within the limits of a given territory, claims (successfully) the monopoly on the legitimate use of physical violence".[3] Unlike free individuals

and voluntary associations, the state determines what must be obeyed and imposes its will. How can we entrust education to the state when its very concept conflicts with the purpose of education? For those who believe in personal development within a free society, anchored in human dignity and natural rights, the question of whether family or state should be responsible for children admits only one answer.

Trace the chain of events: When the state assumes responsibility for education, it must make education manageable. This produces compulsory attendance, standardized content, and comparable metrics. These mechanisms serve more than pedagogical ends; they make people and institutions legible to the state—a characteristic movement of simplification and centralization that facilitates command and control. In theoretical terms, the school becomes one of the ideological apparatuses that help reproduce the existing order, transmitting not only content but also habits of obedience and conformity.

Once this arrangement takes hold, everyday mechanisms come into play. Alongside the formal curriculum runs a hidden curriculum of time, space, and conduct: bells that fracture attention, lines and permissions to speak, control of movement, silence as proof of "good behavior," competition for grades, acceptance of continuous external evaluations. The daily routine of waiting, asking permission, and following instructions trains obedience to external control and normalizes asymmetrical authority. Roll calls, records, cameras, and engagement-tracking platforms establish permanent surveillance, which in turn encourages self-censorship and self-monitoring. Philip Jackson[4] described this ensemble as learning "crowds, praise, and power." The result is that students practice obedience and conformity every day before they ever discuss ideas about citizenship and ethics—a conditioning that inevitably shapes their adult behavior.

The literature calls this the principle of correspondence: School life mirrors the organization of work and accustoms students to slot into it. Bowles and Gintis[5] showed that school hierarchies, division of tasks, and extrinsic rewards correspond to the demands of the labor market, where punctuality, meeting targets, and deference to supervisors are prized. Sorting by grade, class, and level anticipates occupational segmentation; report cards and rankings serve as performance evaluations; credentials replace direct demonstrations of competence.

Over time, the result is a school that tends to produce institutional loyalty and dependence, crowding out individual initiative. Critics such as Ivan Illich[6] and John Gatto[7] argue that compulsory, centralized schooling shifts learning from an act of discovery to a regime of tutelage, in which students are treated as patients receiving educational treatment—an arrangement that breeds passivity. Meanwhile, school monopolizes children's time, weakening ties with family and community and funneling recognition toward credentials issued by the system itself. In this atmosphere, following the rules becomes worth more than understanding them. That is precisely the kind of obedience that legitimizes the state as a natural authority.

Compulsory schooling often escapes notice precisely because it is so deeply ingrained. Consider the analogy: A government funds an official newspaper with tax money, mandates its reading, and bans competing outlets. Any adult would find this arrangement absurd. Yet the same adults who would recoil at compulsory state news see nothing wrong with the state dictating what children—who are still forming their capacity to reason—may and may not be taught.

In Brazil, compulsory schooling[8] is compounded by structural centralization of the curriculum. The Law of Guidelines and Bases for National Education (LDB)[9] mandates a common national base of content and competencies for the entire country and leaves only a narrow margin of flexibility to school networks and individual schools. The National Common Core Curriculum (BNCC)[10] gives that mandate concrete form, prescribing essential learning outcomes by stage and subject area. In practice, the flexibility available to schools is residual and conditioned by national parameters—room for adaptation rather than genuine autonomy. The ability of school systems and schools to shape their own curricula is severely constrained.

Official curricula and teacher training programs emphasize cross-cutting themes such as citizenship, human rights, diversity, and the environment. These topics are legitimate in themselves, but they depend on a solid cognitive core—reading, writing, and mathematics. When they crowd out that core, they undermine rather than advance the formation of reason, eroding the time available for consolidating the fundamental skills on which everything else rests.[10]

This stagnation is plain in the data. The Basic Education Development Index (Ideb) for 2023 sat at virtually the same level as 2019, with minimal gains and outright declines in some school networks.[11] Internationally, in the 2022 Programme for International Student Assessment (PISA), only 27% of Brazilian students reached at least Level 2 in mathematics, against 69% on average for OECD countries—meaning that the majority cannot meet the minimum functional threshold.[12] A significant share of this stagnation reflects the prolonged, widespread school closures during the pandemic, which produced measurable learning losses attributable in part to the centralized decision to shut schools.[13,14]

In short, the centralized decisions being made are oriented not toward developing children's capacity to reason but toward compliance with political prescriptions and agendas. By treating a vast, culturally diverse country as if it were uniform, regulation freezes pedagogical pathways and methods while ignoring local needs. Our children may be receiving schooling—but are they really receiving an education?

THE SOLUTION LIES IN FREEDOM

Parent-led education is not only ethical but superior in its results. Since each person is unique, it follows logically that individual instruction is the best method of teaching.[1] Grouping students with different abilities, difficulties, and interests in the same classroom and treating them identically tends to produce worse outcomes. Prohibiting

families from teaching their own children—as Brazil currently does—is therefore a mistake.

Homeschooling yields strong results for several reasons that follow directly from the above: (i) Individualized attention—tutors or parents adapt the pace and content to each student rather than following a prescribed, one-size-fits-all curriculum; (ii) Curricular flexibility—families are free to choose the approaches and materials they judge most appropriate for their children, lending the process greater meaning in the student's own eyes; And (iii) a safe environment—students feel more protected and less subject to social pressure, which benefits their performance.

In September 2025, the United Nations Educational, Scientific and Cultural Organization (UNESCO) published the report *Homeschooling through a human rights lens*,[15] which frames homeschooling from a human rights perspective and reaffirms—drawing on international instruments—the right of parents and guardians to choose their children's education. While it does not constitute automatic authorization for any specific country, it is an important reference for the debate still unfolding in Brazil.

Critics of homeschooling raise concerns about socialization and the demands it places on families. The fear that children educated at home will not socialize as well as those in traditional schools is common. In practice, it is not borne out—partly because the gap can be closed through extracurricular activities and peer groups where children build interpersonal skills in a safer, more purposeful setting. Homeschooling does require considerable parental commitment. Most parents are qualified to teach basic subjects, and when they are not, tutors in specific areas are available.

Enrolling children in private schools is a more economically viable option than individual instruction, even if it is a somewhat less tailored alternative. But here Brazil faces another obstacle: Private schools too must follow the government's curriculum mandates. When the state imposes uniform standards on private schools, many children are poorly served—some held back by a pace that is too slow, others overwhelmed by one that is too fast. Different learning rhythms require different methods, and a single standard cannot accommodate them.

The Montessori method was designed precisely to address this mismatch. By promoting autonomy, self-directed learning, and the child's holistic development, it uses multi-age classrooms, self-correcting materials, and individualized learning trajectories that honor each student's pace and interests. The teacher becomes a guide and observer rather than a lecturer, mitigating both gaps and undue acceleration in the learning process. Yet even Montessori schools in Brazil are hemmed in by the system's centralized architecture—they must comply with the BNCC[6] and the LDB, and conform to standardized calendars, workloads, and assessments. In the current arrangement, the Montessori method can only partially flourish, constrained at every turn by standardization requirements.

When the state prescribes mandatory content in an inflexible manner, it forces trade-offs that can thwart individual vocations. An exceptionally gifted student in the sciences, for example, may be compelled to spend large amounts of time on material

irrelevant to their goals—at dubious benefit. Compulsory schooling laws not only impede the expansion of specialized private schools able to serve children's diverse needs; they also discourage parents from taking on the role of their children's direct educators.

When families are free to choose, they tend to find the arrangements that best serve their children. Even without resorting to individual instruction, it becomes possible to select private schools matched to each child's profile, strengths, and difficulties. The rich, diverse ecosystem of private schools that can emerge from this is possible only in a free market, with minimal regulation that would otherwise erect barriers to innovation. In such a context, varied models arise to meet varied demands: schools for high performers, for children with specific learning challenges, for students with general or specialized talents.

One striking example of pedagogical innovation comes from Framingham, Massachusetts. The Sudbury Valley School operates on the theory that the survival of every species depends on the drive of its young to develop the skills they need to thrive as capable adults. The school therefore offers each student the space to pursue that ambition and discover their own points of excellence. It trusts students of every age to plan and direct their own daily activities, neither steering them toward particular paths nor subjecting them to performance evaluations. Rules protecting individual freedom are established collectively by the whole school community, and social order is maintained through a peer judicial process.[7]

The model works because freedom is the animating spirit of the Sudbury Valley experience. From freedom springs intellectual curiosity, the joy of making things, and the energy that runs through the community. It draws together students of different ages, generates movement, and creates room for sustained conversation—the kind that nourishes the pursuit of excellence in any endeavor. In many countries, this model is never even tried—not for lack of results or family interest, but because the state prohibits such formats. Innovation is thus blocked in one of the most consequential pillars of society.

The path to better education begins by breaking free of the state's constraints. As John Gatto[7] writes: The most likely place to find solutions would be a kind of free market system in public schooling, where family schools, small private schools, religious schools, technical schools, and agricultural schools exist in abundance to compete with government education.

The aim is to open up the field to new offerings without compromising child safety. Rather than endless lists of requirements—square footage, furniture specifications, minimum instructional hours, licenses, and certifications—the regulatory focus should shift to safety conditions and the right to information: what a school promises, how it assesses students, and how it serves them. Streamlining school registration would lower barriers to entry and allow a freer market to develop. More providers competing on education raises quality and lowers prices—and opens the door to genuine innovation. It would allow unconventional approaches to come out of the shadows and

give families the information they need to compare options and choose what works best for their children.

In this context, decriminalizing homeschooling is the obvious next step. Homeschooling must cease to be an administrative or criminal offense and become recognized as the legitimate exercise of parental authority. The state should intervene only when there is concrete evidence of harm to the child—neglect or abuse—with a proportional response focused on protecting the minor.

Mandatory teaching credentials are another barrier worth dismantling. Many professionals with deep expertise in various fields could give extraordinary lessons. In such a system, transparency—not credentialism—becomes the key to accountability: Schools should be clear about their teachers' qualifications so parents can evaluate them. Opening the range of eligible instructors (master craftspeople, technology professionals, artists, retired scientists) shifts the incentive toward the ability to teach well and deliver results.

Accountability shifts from control of inputs to control of outcomes—and that control rests with parents rather than the state. Each school chooses its own method but commits to output indicators consistent with its mission: individual student progress, proficiency by age group, portfolios, family satisfaction, and post-graduation pathways. These data would be public and auditable by independent bodies. Reputation, legally enforceable contracts, and comparability together create a healthy free market without stifling innovation. Private certifications can play a complementary role, offering families an additional layer of assurance.

In the ideal arrangement, the state protects children's rights and families' freedom, intervening only when individual rights are demonstrably violated. Oversight becomes contractual and reputational, with families free to leave any provider that fails to deliver on its commitments.

The question of how large the social safety net should be is beyond the scope of this discussion. If the government chooses to fund education, it should act as a payer only—not as an education manager. Funding follows the student, under family control, with no preference for any method or provider, and without pedagogical conditions that dictate curriculum, materials, or school model. Oversight is limited to eligibility, lawful use of funds, and financial transparency, with no interference in pedagogy. For lower-income families, support can take the form of *vouchers*, private scholarships, community funds, and charitable initiatives—governed by clear accountability rules and made widely known, so that reputation and results guide families' choices.

A LOOK INTO THE FUTURE

The state's resistance to losing power is real, and nothing is more strategically valuable than controlling how people learn. Even so, technology is advancing faster than bureaucracies can follow. Learning networks, open-access materials, competency-based

assessment, and new forms of credentialing are making it increasingly hard to monopolize the path to knowledge. Today, regulation imposes brakes; tomorrow, the technological infrastructure itself may route around them, allowing families and communities to freely organize educational paths that are more genuinely responsive to each child's needs. The task before us is to prepare the ground—legally, culturally, and institutionally—so that when the door opens, education is ready to move forward without coercion.

Real change in education comes slowly. What we do today will bear fruit only for future generations. Humanity advances by building on what the previous generation left behind, and so denying future generations the freedom to learn is not merely a blow to individuals—it is a blow to the entire future of society. When schooling becomes a vehicle for state indoctrination, intellectual capital erodes and opportunities contract over the long run. If we want a culture of reason and maturity, we must begin now, making room for the free market to do what the state has failed to do. Education is too important to be left in the hands of the state.

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INNOVATION AND ECONOMIC OPENNESS

Innovation is not just about creating technology; it is about allowing good ideas to circulate, compete, and gain scale. And open markets are not a concession to the world: They are a path to efficiency, productivity, and access to better goods, services, and knowledge. This subsection addresses how Brazil can unlock dynamism in 2026 by reducing the costs of doing business, expanding connectivity, stimulating competition, and intelligently integrating into global chains. The articles deal with the regulatory environment, openness, entrepreneurship, and digital transformation with a common goal: making the country more capable of experimenting, learning quickly, and thriving in a rapidly changing world.

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OPENING THE GATES: HOW TO REVITALIZE BRAZIL'S MOST CLOSED SECTOR FOR THE NEXT 30 YEARS

INTRODUCTION AND BACKGROUND

The automotive market occupies a paradoxical position in the national economy. On the one hand, it represents a historically significant sector, having reached 7th place worldwide in vehicle production in 2013, with a significant share of industrial gross domestic product (GDP) over the decades. On the other hand, it is one of the most inefficient and protected sectors of the Brazilian economy since the post-dictatorship economic opening.

In 2024, the sector produced 2.574 million vehicles and generated approximately 1.3 million direct and indirect jobs, closing the year as the fastest-growing automotive market in the world, with a 15% increase in sales.[1] However, this apparent strength hides a perverse reality: The Brazilian automotive industry operates under one of the most severe protectionist regimes in the world.

Since economic liberalization, when various sectors were exposed to international competition, the automotive sector has managed to maintain economic barriers that shield it from foreign competition. The result is a sector that produces expensive cars of inferior quality to those available internationally, with low productivity and a high degree of industrial idleness—all at the expense of the consumer, which means at our expense, yours and mine.

But this is not an inescapable reality. Brazil itself offers examples of how opening up a sector leads, over the long term, to prosperity—for the market and, ultimately, for Brazilian society. We need only understand the challenges we face and find the courage to choose freedom.

PROTECTIONISM: EXPENSIVE, LOW-QUALITY CARS AND STAGNANT PRODUCTIVITY

The Brazilian automotive industry suffers from three main chronic and interrelated problems: (a) *high prices*, (b) *stagnant productivity*, and (c) *low quality*. These problems are not accidental, but rather direct and well-known consequences of a protectionist

regime that benefits established automakers and dealerships at the expense of Brazilian society as a whole, especially its own consumers.

Let us begin with the most obvious and concrete problem: tariffs. In 2018, effective tariff assistance to the manufacturing industry (of which the automotive industry is a part) reached 30.2% of value added. This means that, through import tariffs, Brazilian society indirectly transferred 30.2% of the value that industrial products add to the economy to domestic producers, which represented 2.44% of the national GDP at the time. For the automotive sector specifically, the situation is even more serious than the average: A study by the Institute of Applied Economic Research (IPEA) shows that this sector was one of the major beneficiaries of this protection, with estimates reaching 70% of the added value, maintaining a privileged level of assistance even after decades of "development" of the local industry.

Beyond tariffs, the automotive sector also benefits from incentive programs that funnel vast subsidies that dwarf the budgets of entire ministries. In 2021, the tax benefits granted to 29 major automakers totaled R$ 20.7 billion.[2] For comparison, that figure nearly equaled the entire budget of the Ministry of Justice and was almost eight times the budget of the Ministry of Development, Industry, Trade, and Services that year. A government that raises taxes to justify its own operations is, simultaneously, exempting a single favored sector from paying a substantial share of the bill. What exactly is the logic?

Among the central arguments for protectionism are domestic industrial development and productivity gains. In the Brazilian case, however, the evidence points in precisely the opposite direction. A telling example—for lack of a better term—is the Land Rover factory in Itatiaia (RJ), which has the capacity to produce 24,000 cars per year but currently runs only one shift per day and produces between 3,000[3] and 1,900 vehicles annually. The operation exists solely to serve a small domestic market—the direct product of this dysfunctional system. By comparison, Land Rover's factory in Slovakia was recently upgraded to produce 3,000 vehicles per week.[4]

Then there's the question: Does it make sense to establish and sustain—through tax incentives—investments in true "white elephants"—large, modern factories built to serve a small domestic market (one that any rational country would simply supply through imports), sitting idle for much of the year without producing a single car?

This phenomenon raises another uncomfortable question: Who exactly are we protecting? Labor productivity in Brazil is about a quarter of that in the United States, and this gap is not narrowing—it is being perpetuated by this type of policy. Industry's share of Brazil's GDP has fallen from 36% in 1985 to just 14% today, a pattern of premature deindustrialization—and the automotive sector, despite all the protection (or because of it), has not escaped this trend.

Product quality tells the same story. Protectionism not only keeps productivity stagnant; it also delays the adoption of technologies already standard elsewhere. The ban on importing used cars and motorcycles, established by DECEX Ordinance No. 8 of 1991,[5] illustrates this distortion perfectly. In his opinion on that ordinance in an

appeal before the STF, the rapporteur, Minister Ilmar Galvão (emphasis added), offered, among other observations, the following: d) *the release of imports could set a dangerous precedent for a flood of new requests* that will most likely follow if the petitioner succeeds in his endeavor. *Distortions such as these will be reflected in the country's domestic market, which will possibly be flooded with used consumer goods of all kinds*, since the contested rule is of a general nature and extends the import ban to all used goods. *As a result, Brazilian companies in various segments will have to face competition for which most of them are unprepared, due to the low prices that used consumer goods reach in more developed countries*. It is public knowledge that in some countries, such as the United States and Japan, there is virtually no resale of such goods, which are simply abandoned by their owners when they purchase new ones, even though the items are in good condition.[6]

Imagine the chaos! In the minister's own words: A "flood" of quality products entering the country at low prices, with technologies we only see in Brazilian-made cars decades later. Who would survive in such a dire scenario? Certainly not the industry then in place. And so, to this day, we—citizens and taxpayers—are forced to settle for outdated, expensive products in the name of protecting so-called "jobs" and "domestic industry."

This time lag in the introduction of automotive technologies in Brazil is significant and extremely harmful to consumers, especially those who buy popular cars produced in the country. Technologies such as electronic fuel injection systems, power windows, air conditioning, and other equipment that became standard in developed markets decades ago arrived in Brazil considerably late or were only offered in top-of-the-line versions, inaccessible to most consumers (Figure 1).

The figures are even more shocking when we compare international prices, which even led an American journalist to criticize, in an article in Forbes,[7] a Jeep launch in Brazil that cost three times more than in Miami (at the time, US$ 89,000 here and US$ 28,000 there), in a country with a per capita income incomparable to that of the United States. The situation was (and still is) so absurd that one cannot tell whether a piece like that was written in mockery, in pity, or with genuine critical intent.

These differences stem not only from direct taxes such as IPI and ICMS or even from a nationalized and artificially expensive supply chain. They reflect the total cost of protectionism: The lack of competition allows automakers to maintain inflated prices and margins, outdated operations, and inefficient distribution, offer inferior products, and invest less in innovation. The Brazil Cost—insecurity and inefficiencies in infrastructure and logistics—is embedded in prices and runs throughout the automotive chain. But protectionist policies are the determining factor that allows these inefficiencies to perpetuate over time without pressure for correction.

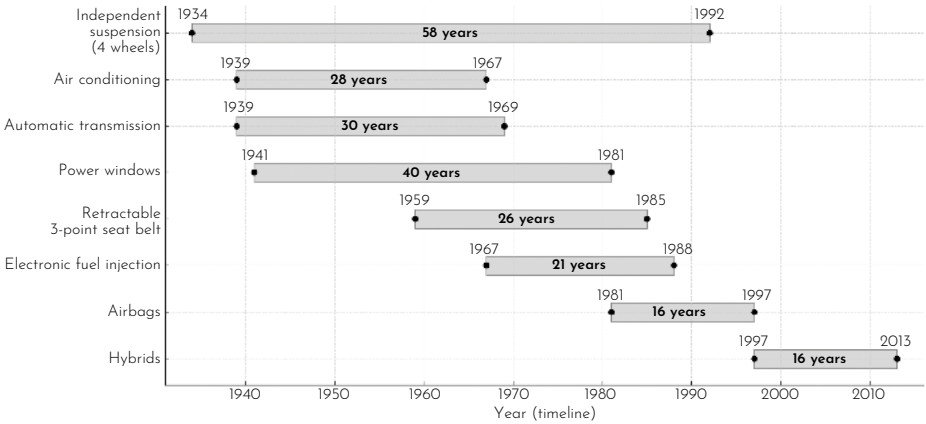

FIGURE 1. Global adoption versus adoption in Brazil of automotive technologies.
Source: From the author.

COMPARABLE CASES: FROM LIMITED PROTECTIONISM TO TOTAL OPENING

From Asian protectionism

Advocates of protectionism often cite Japan and South Korea as examples of "successful" industrial policy, especially in the automotive sector. In fact, both countries fostered globally recognized, competitive firms—Toyota, Honda, Nissan, Hyundai, and Kia are just a few examples. A deeper look, however, reveals fundamental differences between those experiences and the Brazilian model, even at the level of underlying premises—differences that explain why those countries prospered while Brazil stagnated.

Although Japan and Korea adopted policies to protect their nascent industries, the effective protective tariffs applied were substantially lower than those in Brazil. The Japanese implemented policies to protect domestic automakers after World War II, offering financial incentives and protectionist tariffs, but even these barriers were moderate compared to Latin American standards. The Koreans, on the other hand, adopted a state-led industrialization strategy, favoring large conglomerates such as Hyundai, Kia, and Daewoo. The government imposed import barriers and provided subsidized credit, but *always with a focus on export competitiveness, not on exploiting the domestic market*—a crucial point.

Unlike Brazil, which sought to nationalize the entire automotive production chain, the Asians remained integrated into global chains. The Toyota Production System, which revolutionized global manufacturing with the concept of lean manufacturing, was developed in a context of intense international competition and the

search for the efficiency necessary to operate in this environment. This exposure forced them to achieve international standards of quality, efficiency, and innovation. However, this was never the premise or objective of Brazilian protectionism, quite the contrary.

Another fundamental aspect of Eastern policies was the setting of objective goals and deadlines for completion. This approach contrasts sharply with Brazil's, where protectionist programs have remained, to the best of our judgment, permanent and unconditional. Inovar-Auto was replaced by Rota 2030, which was replaced by Mover—each iteration preserving the same logic of subsidies and protection, with no meaningful performance benchmarks and no measurable improvement in the country's business environment.

That said, there is another fact that further weakens this defense: Many other industries unrelated to the protectionist project also grew significantly during the same period. This suggests that, in addition to being difficult, it is somewhat dishonest to establish a causal link between protectionism and technological or productivity growth.

To Brazilian agribusiness

If the Asian examples show that successful protectionism is the exception rather than the rule, Brazilian agribusiness offers direct evidence, in our complex national context, that economic openness is the right alternative for achieving real and sustainable growth.

While the automotive sector fluctuates between crises and chronic idleness, Brazilian agribusiness has shown consistent growth. Agricultural productivity grew 3.6% per year between 1975 and 2010.[8] Even during the Covid-19 pandemic, when the national GDP declined, agribusiness continued to grow,[9] demonstrating genuine resilience and competitiveness. Since 1976, while the area planted with grains has increased by 33%, production has grown by 386% – unequivocal evidence of extraordinary productivity gains,[10] gains that have made Brazil one of the world's largest net exporters of agricultural products.

What accounts for such dramatic gains in efficiency and productivity? The answer is technology. Brazilian agribusiness is now synonymous with technological innovation. The Brazilian Agricultural Research Corporation (Embrapa) and other national research institutions have developed tropical-climate crop varieties, sustainable management techniques, and production systems that have become internationally recognized. The sector continues to invest in biotechnology, precision agriculture, and efficient irrigation, among many other sustainable practices, to stay at the forefront of global markets. That is what real, sustainable productivity and growth look like.

This modernization occurred precisely because the sector was exposed to international competition. Brazilian farmers did not have the option of hiding behind protectionist barriers—they had to compete with international farmers on equal terms, or

even unequal terms, since Brazil is one of the countries that subsidizes agriculture the least in the world, according to data from the Organization for Economic Cooperation and Development (OECD).

Here is yet another indication that state intervention, however well-intentioned, is not the path to productivity, growth, and prosperity: Those who failed to adapt lost ground; those who invested in technology and efficiency thrived. Economic liberalization forced Brazilian agribusiness to modernize or perish—and the sector modernized spectacularly. The expansion into the Midwest and Matopiba,*[11] regions once considered unsuitable for modern agriculture, was made possible entirely by technological innovation.

It is true that, during the opening-up and modernization process, some companies went bankrupt—including some good ones. Producers that could not adapt to the new demands of competitiveness were replaced by more efficient ones. That is a feature of markets working properly, not a failure. Joseph Schumpeter's[12] "creative destruction" describes precisely this: the continuous replacement of inefficient companies and methods by more productive ones, which then diffuse through the economy—one of the great engines of economic progress. In protected sectors, creative destruction is suppressed: Inefficient companies, as the idleness and productivity data make plain, are kept artificially alive at consumers' expense.

THE ANTIDOTE: THREE CENTURIES OF CLASSICAL LIBERALISM

Concrete examples always help us to visualize and materialize ideas and concepts, but nothing proposed here deviates from orthodoxy and economic common sense. Starting with the legacy of Adam Smith, the father of modern economics: the *theory of absolute advantage*. According to Smith,[13] each country should specialize in the production of goods in which it has greater efficiency (which it can produce at a lower cost). The surplus should be traded with other countries. This international division of production enables cost reduction and increased social welfare across the board.

The argument is simple and convincing: If one country produces a certain good with fewer resources (labor, capital, time) than another, both benefit economically when the former exports that good and imports what the latter is more efficient at producing. International trade is not a zero-sum game in which one side wins and the other loses, despite what various narratives try to convince us; it is a process of wealth creation in which everyone wins through specialization.

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*"Matopiba is a region formed by the state of Tocantins and parts of the states of Maranhão, Piauí, and Bahia, where there was strong agricultural expansion from the second half of the 1980s, especially in grain cultivation. The name is an acronym formed from the initials of the four states (MA + TO + PI + BA)".[11]

In the specific case at hand, it is clear and proven that we have no absolute advantage in the production of motor vehicles when compared to countries such as Germany, Japan, South Korea, or the United States. Why then insist on producing locally, at inflated prices, what we could import more cheaply and with better quality?

From there, we turn to 1817, when David Ricardo extended Smith's theory with the *theory of comparative advantage*. Ricardo demonstrated that the gains from specialization are not limited to cases of *absolute advantage*; even when one country is less efficient than another across all goods, both can still gain from trade through specialization, because of *opportunity cost*. Even a country more productive than all others at literally everything would do better by concentrating on the industries where its advantage is greatest, reaping the highest returns there, and importing the rest—even goods it could produce more efficiently at home. That is the logic of *comparative advantage*.

Applied to Brazil, this means that even if we are not the most efficient in any industry, we still benefit by specializing in areas where we are relatively better. And what would those industries be? Agribusiness, mining, natural resources, potentially specific services and technologies. But, of course, not mass production of automobiles for domestic consumption. By forcing resources into the automotive sector through protectionism, Brazil wastes opportunities to apply them in sectors where we have real comparative advantages.

Given all this, protectionism looks, in reality, like a sustained affront to economic common sense. What, then, is its justification? Consider the arguments that defended the DECEX ordinance, or the promotional materials for any of the incentive programs mentioned here, or the government's own communications: They circle the same concepts—protecting and developing domestic industry, promoting employment, and so on. It is a political project dressed up as economic policy. And one that has failed to deliver satisfactory results for 70 years.

But if the interests of the majority of Brazilians are misaligned with these policies, how do they persist? American economists Rose and Milton Friedman[14] offer us an answer: Protectionism benefits small organized groups at the expense of large disorganized groups. Automakers and automotive workers' unions have a vested interest in maintaining protection—their profits and jobs depend on it. The 212 million Brazilian consumers who pay more for worse cars, on the other hand, have diffuse interests: Each one loses relatively little, they have no incentive to organize politically, and often do not even realize exactly how much they are losing. This dynamic explains why protectionism persists despite being economically irrational: The political economy favors regulatory capture by concentrated interests.

ECONOMIC OPENING: EXPECTATIONS AND CHALLENGES

Drawing on the liberal premises inherited from the authors above, we can sketch the expected results and the challenges ahead. The most tangible and immediate gain would be a significant drop in prices and a rise in vehicle quality—especially with the

legalization of used-car imports, exactly as the minister reporting on the DECEX order predicted. Brazilians would finally have access to the same models, technologies, and safety features available in developed markets, rather than being confined to the "jabuticabas" (a fruit native to Brazil) that supposedly make "economic sense" only here.

Supply would diversify enormously as well, aligning with the global market. Instead of being confined to whatever models automakers have chosen (or previously chosen) to assemble locally or import new, consumers could choose from thousands of options—including high-quality recent used vehicles and models never officially sold in Brazil, which are currently illegal to obtain.

Everything indicates that opening up would lead to real and sustainable growth in the Brazilian automotive sector. This would occur, to varying degrees, through several mechanisms: *specialization* in vehicle niches where there are real advantages; *access to global value chains* and intermediate goods at fairer prices; and *competition*, creating pressure for efficiency and innovation. The agribusiness precedent is instructive: Opening up did not destroy the sector—it turned it into a global leader. A potentially turbulent transition is a reasonable price for a prosperous, resilient long term.

Market opening would undoubtedly mean lower profit margins for some automakers and dealerships that currently benefit from the status quo. That is not a flaw in the proposal—it is the point. These companies currently capture economic rent—profits above the competitive norm—through artificial barriers to entry. That income comes directly from consumers' pockets. Opening the market would redistribute it—less for shareholders of protected automakers and dealerships, more for the 200 million Brazilians who could buy better cars at a lower price.

This does not necessarily mean losses for every automaker. Efficient companies could compensate for thinner margins with higher volume, as they already do globally. Those that develop genuine competitive advantages could thrive. Only those that depend entirely on protection would suffer—and rightly so, since their existence represents a misallocation of resources and a burden on ordinary citizens.

CONCLUSION

Let us imagine Brazil in 2056, three decades after the complete opening of the automotive market. Just as agribusiness was transformed after liberalization, becoming a global benchmark for efficiency and technology, why couldn't the Brazilian automotive sector follow a similar path?

By 2056, the automotive sector has grown in ways that are real and sustainable, not artificially inflated. Output is not necessarily greater in absolute volume than in the past, but it is vastly more efficient, sophisticated, and rational. Factories that operated at low capacity in 2026 have given way to modern facilities running at full capacity,

producing specialized components and vehicles tailored to niches where Brazil holds genuine competitive advantages.

The automotive sector, following in the footsteps of agribusiness, no longer depends on billion-dollar subsidies. Instead, it contributes positively to public accounts with taxes on genuinely productive activity. The country exports specific technologies—possibly related to biofuels, vehicles adapted to tropical climates, or specialized components—to the entire world. Brazilian automotive operations now actively participate in global chains. Not as appendages producing inferior versions, but as niche centers of excellence. Brazilian factories achieve productivity levels comparable to the best in the world, not through protection, but through excellence and resilience.

Let us push the vision a bit further: By 2056 there is also a major automaker that is genuinely Brazilian, filling Brazil and the world with Brazilian cars. This company did not emerge sheltered in a protectionist cradle—it grew out of a competitive environment, one in which Brazilian entrepreneurs developed truly superior technology in a specific niche, without training wheels. Like Embraer before it—driven by technical excellence and a focus on particular niches—this Brazilian automaker thrives by offering something the global market values. It employs tens of thousands of Brazilians at above-average wages, a reflection of its high productivity, and establishes Brazil as an industrial benchmark in the sector.

For the average Brazilian in 2056, the contrast is striking. Cars are far more affordable, especially for lower-income families—in real terms, they cost half what they did three decades earlier, and the quality is incomparably better. Safety, efficiency, and comfort features that in 2026 were exclusive to luxury models are now standard even in entry-level vehicles. The legalization of used-vehicle imports, after decades of prohibition, has democratized access to quality cars regardless of origin. Middle-class families buy three-to-five-year-old European or American vehicles with technology superior to the new cars they could have afforded in 2026. And car enthusiasts finally have access to models they could never before legally drive at home.

Actual incomes are demonstrably higher—not only because cars claim a smaller share of household budgets, but because resources once squandered on inefficient automotive production have flowed toward sectors with genuine comparative advantages. Brazil is richer, more productive, and more innovative. Jobs have not disappeared; they have been transformed for the better.

That future is not inevitable—far from it. It depends entirely on us, the people, and on choices we begin making today. Brazil can continue on its current path, indefinitely shielding an inefficient automotive sector while condemning future generations to pay more for inferior cars—all so that automakers can go on capturing rents behind artificial barriers, in the name of “jobs” or “development.” Or it can choose openness, absorbing short-term transition costs in exchange for enormous, durable long-term benefits. Brazilian agribusiness has already proven that this path works.

The automotive sector could follow the same trajectory—transforming itself from a subsidized deadweight into a genuine engine of growth and prosperity.

The choice is ours. The diagnosis is clear. The alternatives have been presented. The historical evidence—successes and failures alike—is on record. What remains is for Brazilian society to decide: continue transferring billions of reais each year to inefficient automakers, or redirect those resources toward productive uses that benefit all Brazilians.

The 2056 described above will not be built by laws, decrees, or provisional measures. It will be built by the individual decisions of millions of entrepreneurs, workers, and consumers operating in open and competitive markets—guided not by bureaucrats, but by excellence in meeting real needs, stated and latent alike.

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THE ROLE OF AUTONOMOUS VEHICLES IN THE FUTURE OF BRAZILIAN ROAD TRANSPORTATION

INTRODUCTION

Brazil's road transport dominance is rooted in historical choices made across the twentieth century, especially from the 1950s onward, when import-substitution industrialization and the Target Plan simultaneously drove the expansion of the national automotive industry and the development of major highway corridors.[1] During the military government, this trajectory intensified with the construction of nation-linking highways such as the Transamazônica and Belém–Brasília, and the consolidation of domestic truck manufacturers, deepening the country's road-centric development model.[2]

Successive fiscal crises and institutional discontinuity simultaneously starved other modes of investment, consolidating a logistics matrix heavily dependent on road transport.[3] Brazil's road-first orientation was not a natural consequence of its geography, but a historical convergence of industrial incentives, episodic political decisions, and structural failures of state planning.

Road transport remains central today, accounting for roughly 65% of all cargo moved in the country; railways handle about 15% and waterways around 12%.[4,5] In agribusiness the dependence runs deeper: More than 70% of grain travels by road before reaching rail or waterway corridors.[6]

This structure reinforces road transport's capillarity while also inflating the economy's operating costs: The cost per ton-kilometer by road can be up to six times higher than by rail over long distances.[7] The current centrality of highways thus reflects both the mode's logistical flexibility and the structural fragility of a country whose transport matrix has not kept pace with the complexity of its economic expansion.

The international literature consistently shows that efficient logistics systems depend not on the supremacy of a single mode but on the coordinated integration of highways, railways, waterways, and coastal shipping, with each mode used according to its operational specialty. World Bank studies find that economies have cut long-haul logistics costs by 20–35% by prioritizing multimodal corridors and integrated transshipment platforms.[8]

OECD data confirm that rail transport is up to three to five times more energy-efficient than road transport for heavy cargo and long distances, while waterways

and coastal shipping carry even lower costs, particularly for agricultural and mineral bulk.[9] Road transport, by contrast, retains an advantage for short distances, regional distribution, high origin-destination dispersion, and cargo requiring higher frequency or time sensitivity.[10]

Logistical efficiency derives from coordinating these modes, not from replacing one with another. Brazil has moved toward multimodality with the Railway Legal Framework (Law No. 14,273/2021),[11] which established an authorization regime for railways, lowered barriers to entry, and allowed the private sector to build and operate rail segments without depending exclusively on public concessions. Complementarily, BR do Mar (Law No. 14,301/2022)[12] expanded operational freedom in coastal shipping, increasing vessel supply, reducing costs, and deepening integration between ports and production chains. Both represent efforts to correct Brazil's long-standing modal concentration.

The transition to a more balanced matrix will be gradual—road transport remains essential for last-leg capillarity and for connecting long-distance modes. As McKinsey comparative studies note, even in countries with strong rail and waterway participation, more than 70% of logistics routes still depend on road transport for at least one leg, underscoring the need to keep improving its efficiency through automation, digitization, workforce professionalization, and fleet renewal.[13]

Multimodality, in short, does not diminish road transport's importance—it raises the bar for its productivity, which must keep pace if the logistics chain is to function as an integrated, continuous, and competitive whole.

CURRENT OVERVIEW

The structural underutilization of road assets in Brazil stems not only from the legal constraints of Law No. 13,103/2015[14] but also from human and operational factors that sharply reduce truck utilization. Studies by the National Transportation Confederation (CNT, Confederação Nacional do Transporte) show that, although a truck may technically be available for continuous operation, effective daily use averages only 8 to 10 hours.[5,6]

The National Land Transport Agency (ANTT, Agência Nacional de Transportes Terrestres) calculates that operational windows, queues, urban restrictions, and mandatory breaks together push unproductive time above 35% of the working day.[15] The Institute for Applied Economics Research (IPEA, Instituto de Pesquisa Econômica Aplicada) further demonstrates that physiological factors—fatigue, stress, and diminishing attention—impose hard limits on safe driving time regardless of legislation.[16] Road asset productivity is thus simultaneously constrained by human limits, poor operating conditions, and legal requirements, preventing the mode from matching the utilization rates of continuous systems like aviation and shipping.

These constraints grow more serious when set against the social, labor, and infrastructure conditions that push new drivers out of the profession, widening a deficit that threatens the resilience of the logistics chain. CNT estimates a shortage of between 120,000 and 150,000 professional drivers,[5,6] compounded by an aging workforce and low occupational attractiveness. Law No. 13,103/2015[17] mandates strict parameters—an 11-hour minimum rest interval, prescribed breaks, and paid weekly rest—often served far from home, at roadsides lacking safe stopping points, on a network where more than 60% of roads are rated fair, poor, or very poor.

The International Road Transport Union (IRU) international reports document that countries with inadequate infrastructure and heavy long-haul road dependence face chronic driver deficits exceeding 20% of annual demand[18]—a pattern mirrored in Brazil. Legal limits thus do double damage: They reduce asset utilization and, by misaligning with actual infrastructure, drive workers out of the profession and threaten operational continuity in cargo-dependent sectors.

Labor's centrality to Brazilian road transport further underscores the structural nature of these productivity constraints. CNT studies indicate that personnel costs represent 40–55% of trucking companies' total operating costs.[5,6] NTC & Logística[19] confirms that labor is the single largest component of freight costs, surpassing even fuel and maintenance in long-distance operations.

Research from the Logistics and Supply Chain Institute (ILOS) shows that labor costs in Brazil exceed OECD norms, owing to both regulatory rigidity and high workforce turnover, each generating added training and qualification expenses.[20] The Union of Freight Transport Companies of São Paulo and Surrounding Region (SETCESP) reports that the growing driver shortage and low job attractiveness have forced companies to absorb real labor cost increases above sector inflation, widening the supply-demand imbalance.[21]

In Brazil, labor is not merely a critical input: It is the primary economic determinant of road transport efficiency, translating any labor restriction, staffing shortage, or operational inefficiency directly into higher freight costs and weaker national logistics competitiveness.

Air and sea transport, by contrast, operate under technical and regulatory conditions that allow far higher asset utilization. Cargo aircraft log 14 to 18 hours of operation daily, supported by planned stopovers, standardized infrastructure, and rotating crews.[22] Container ships and bulk carriers run around the clock for weeks, achieving utilization rates above 90%, interrupted only by refueling, maneuvering, and scheduled maintenance.[10] Neither depends on individual human physiology or dispersed, constantly degrading infrastructure to determine productivity.

Where road transport operates near human and legal limits, aviation and shipping operate near technical limits—making the case for advances that raise the efficiency of this essential link in Brazil's economic development.

THE PATH TO THE FUTURE

Historically, the adoption of new technologies and processes has been among the most powerful engines of economic and social development.

For Brazilian road transport—defined by low asset utilization, driver shortages, poor infrastructure, and deep regulatory asymmetry—vehicle automation emerges as a technically viable response to these structural challenges. Solutions already deployed globally show that automation can reduce accidents, lower costs, and attract infrastructure investment, while improving workers' quality of life by reorganizing driving functions.

The SAE International automation classification maps a clear technological trajectory. Levels L1 and L2 encompass driver-assistance systems—adaptive cruise control, emergency braking, lane keeping—that significantly reduce cognitive load and the risk of human error.[23] At L3, the system assumes control in defined conditions, returning control to the driver when necessary. Levels L4 and L5 represent more advanced autonomy: at L4, the vehicle can operate without human intervention within a specific operational domain; L5 would correspond to full autonomy in any environment.[24]

In confined settings such as mining and industrial operations, autonomous systems have been running for more than a decade, delivering accident reductions, lower cycle variability, and productivity gains exceeding 20%.[25] These results establish the operational maturity of autonomous systems on controlled routes, suggesting that standardized logistics corridors in Brazil could capture similar benefits.

The economic potential is substantial. McKinsey[13] analyses indicate that L4 autonomous vehicles operating in optimized corridors can cut total cost of ownership (TCO) by up to 42% per mile, through higher daily asset utilization, lower fuel costs, and reduced mechanical wear. Even in intermediate scenarios, cost reductions remain around 20%, from the elimination of downtime caused by mandatory rest, fewer accidents, and greater operational stability.[26]

This shift alters the economic structure of the sector, creating direct incentives for private investment in connectivity infrastructure, embedded sensors, remote operating platforms, and monitoring systems.

INTERNATIONAL EXPERIENCES

In the United States, automation's rapid advance reflects an institutional environment shaped by decentralized, liberalizing policies that reduce regulatory uncertainty and permit private experimentation. The federal government has established broad but non-prescriptive guidelines, delegating to states the authority to authorize, test, and regulate autonomous vehicles.[27] States such as Texas, Arizona, and New Mexico have adopted permissive legislation that waives the driver-on-board requirement for L3 and L4 operations, accepts real-world demonstrations as safety evidence, and establishes accountability mechanisms proportional to risk.[24]

This environment has drawn private companies that have invested billions of dollars in mapping, testing, and infrastructure without relying on public funding. The

U.S. approach rests on regulatory competition among states, lower barriers to entry, and the explicit recognition of technological autonomy as a strategic economic activity.

China, though following a more centralized model, deploys locally liberalizing policies to accelerate autonomous vehicle development. Demonstration zones in Shenzhen, Shanghai, and Beijing operate under special regulatory regimes, allowing companies to test and deploy L4 vehicles with greater operational freedom, subject to minimum safety standards.[28]

Local authorities have built dedicated digital infrastructure and streamlined authorization regimes for autonomous logistics firms. Although state coordination remains strong, the regulatory design of these zones combines operational flexibility, openness to private initiative, and fiscal incentives—enabling vehicle autonomy to advance at scale.

CONCLUSION

For Brazil to build a more efficient, modern, and competitive transportation matrix, regulatory frameworks must remove barriers to emerging technologies—especially those associated with vehicle automation, connectivity, and logistics digitization. International experience shows that innovation flourishes under clear, predictable, results-oriented rules, and stagnates under prescriptive or fragmented regulation.

Experimental regulatory sandboxes, clearly defined technological responsibilities, standardized tests and certifications, and legal certainty for private operators are all essential to translating innovation into public development policy. Without this framework, automation and modal integration initiatives will remain peripheral, unable to reach scale, and Brazil will remain trapped in its historical cycle of logistical inefficiency—raising costs, eroding competitiveness, and stunting economic growth.

An environment conducive to logistics prosperity also demands that the state actively stimulate private investment through public-private partnerships, above all in digital infrastructure, logistics corridor modernization, and modal integration.

Vehicle automation—which demands connectivity, sensing, teleoperation, and interoperability across technological layers—cannot advance without an institutional model that shares risks, provides long-term stability, and creates economic incentives for concessionaires, logistics operators, and technology developers. Countries that have moved quickly understood that the state's role is not to replace private investment but to build the environment in which it can flourish, with fewer regulatory barriers, greater legal clarity, and robust cooperation mechanisms. To reposition its transport matrix at international standards, Brazil must adopt the same principle.

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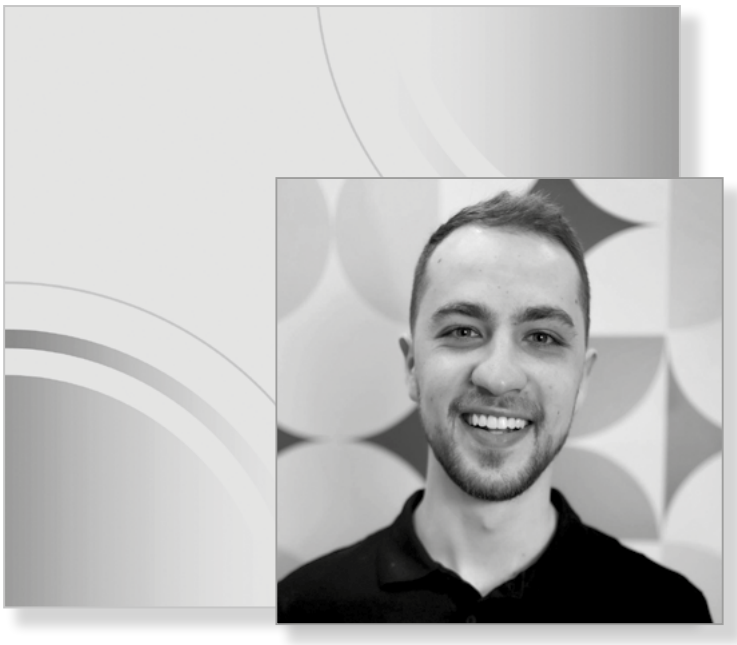

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THE PIX REVOLUTION AND THE POLICY BEHIND THE PAYMENTS MARKET

INTRODUCTION

Pix is the fastest-adopted payment method in Brazil's history. Six months after its launch in November 2020, half of the banked population had already made a transfer via Pix.[1] In 2023, it surpassed the volume of card transactions to become the most widely used payment method in Brazil.[2] In 2024, the value transacted via Pix exceeded twice Brazil's gross domestic product (GDP).[3] By October 2025, more than 170 million individuals had made a Pix transfer.[4] In 2026, it is on track to surpass TED electronic transfers and claim the leading position by total consolidated transaction value.

In Brazil, many forms of payment preceded Pix as alternatives to cash. Prior to the Real Plan, citizens had access to checks, debit and credit cards, electronic transfers via DOC (credit order document), and *boletos*. With the launch of the Brazilian Payment System (SPB) on April 22, 2002, TED transfers joined the list. TED was a milestone in the Brazilian payments market—it was the first payment arrangement to use a real-time gross settlement (RTGS) infrastructure, made possible by the simultaneous launch of the Central Bank's Reserve Transfer System.

The variety of payment options and innovations in the Brazilian payments market is a global benchmark. The *boleto de pagamento*, for example, is an instrument with no equivalent elsewhere at the same level of standardization and interoperability. The "Buy Now Pay Later" (BNPL) model, which gained international prominence in 2021 through the US$ 45 billion valuation of Swedish fintech Klarna in its 25th funding round,[5,6] has long been familiar here. Credit on account, post-dated checks, and interest-free credit card installments are widespread Brazilian variations on buy now, pay later. Brazil has always had its own way of paying.

For citizens, the technological evolution of payment systems and arrangements represents a clear gain. Constant innovation in the payments market, driven by the Central Bank, promotes competitiveness, delivers convenience, and reduces costs.[7] Yet the policy behind these mechanisms deserves scrutiny. Despite the unequivocal success of Pix—as a payment arrangement instituted by a federal agency—the risks of political interference with Pix outweigh those found in privately instituted arrangements. The Central Bank's dual role as regulator of payment arrangements and operator of the country's primary payment arrangement creates a conflict of interests that

discourages competition. This tension is especially significant given that Pix requires mandatory participation by all authorized institutions with more than 500,000 active customer accounts.[8]

THE SELF-FULFILLING PROPHECY

"We never wanted to compete with Pix," said a WhatsApp executive in Brazil in an interview with a news outlet.[9] Five years on, the attempted launch of WhatsApp Pay in Brazil in June 2020 is still generating debate. On July 15, 2025, the United States Trade Representative (USTR)—the U.S. government office responsible for trade—opened an investigation into practices it deemed unfair toward American companies. The press release makes no direct mention of Pix, but it cites "the practices of the Brazilian Government related to electronic payment services" among the subjects under investigation, pointing specifically to "the restriction of the ability of American companies operating in this sector to provide services in the country".[10] One reason cited by the Brazilian government's own news agency: preferential treatment of Pix at the expense of WhatsApp Pay.[11]

On June 15, 2020, Mark Zuckerberg announced the launch of WhatsApp Pay in Brazil. The operation was simple—a WhatsApp user could register a debit or credit card from any of the participating institutions in the app and, through it, make free transfers to other users who had also registered cards. The transfer would be processed through arrangements operated by Visa and Mastercard. These arrangements used the Visa Direct and Mastercard Send platforms,[12] which are instant payment systems built to enable domestic and international transfers across multiple countries.

A week later, the Central Bank and the Administrative Council for Economic Defense (CADE) temporarily suspended the program.[13] Documents obtained by the *O Fator* portal via the Access to Information Act reveal that one of the Central Bank's stated concerns at the time was market concentration: considering the potential for exponential growth due to the spread of the WhatsApp platform among the Brazilian population, WhatsApp's entry as a participant in the arrangement, in the role of payment initiator, represents a high risk of an irreversible concentrating effect that could greatly affect competition in the payments market, with an obvious risk to the regular functioning of the SPB.[13]

The opinion cited a report in *Exame* magazine estimating that WhatsApp had 120 million users.[14]

The peer-transfer feature of WhatsApp Pay came only in March 2021, by which point Pix had already processed more than half a trillion reais in transactions.[8,15] In 2024, WhatsApp announced that its debit card payment feature would be discontinued in favor of Pix.[16] By 2025, Pix had captured more than 50% of transaction

volume in Brazil, with more than 170 million individuals having used it since launch (Figure 1).

A study conducted by Zetta, a non-profit association founded by technology companies offering digital financial services, found that Pix has the highest growth rate in transaction value as a share of GDP of the nine instant payment systems studied (Figure 2).

A further driver of Pix's dominance is the prohibition on fees: Participating institutions may not charge individuals for Pix transfers, with limited exceptions set out in BCB Resolution No. 19 of October 1, 2020.[17] This zero-fee mandate entrenches Pix's position against any privately offered instant payment system. Paired with the mandatory participation requirement for institutions with more than 500,000 active customer accounts, the result is a landscape that erects significant barriers to entry and restricts free competition. Paradoxically, Pix has become exactly what the Central Bank feared WhatsApp Pay might become.

HOW PAYMENT MARKETS WORK

Payment markets consist of two core segments: Payment systems (a type of financial market infrastructure, or FMI) and payment arrangements.[18] According to the Bank for International Settlements,[19] a payment system is a set of instruments, procedures, and rules for the transfer of funds between participants; the system includes the participants and the entity that operates the arrangement.

Payment systems can be classified as retail or large-value systems. FMIs are defined as a multilateral system between participating institutions, including the system operator, used for the clearing, settlement, or recording of payments, securities, or other financial transactions.[19]

According to the Central Bank of Brazil,[21] a payment arrangement is "the set of rules and procedures that governs the provision of a particular payment service to the public." Each recognized form of payment has its own arrangement—the case for widely accepted credit and debit cards, DOC, *boleto*, TED, and Pix. A standard four-party payment transaction involves the paying user, the receiving user, and their respective financial or payment institutions.

In Brazil, the Central Bank of Brazil (BCB) operates two payment systems: the Instant Payment System (SPI) and the Reserve Transfer System (STR). Several others are BCB-authorized but privately operated, including Siloc and Sitraf, run by Nuclea and used for clearing and settling transactions in card, *boleto*, and TED arrangements. The STR is the only large-value payment system (LVPS) in the SPB. Consequently, all payment systems except the SPI calculate net amounts owed between participants and then use the STR as their final settlement infrastructure via reserve accounts—a mechanism known as deferred net settlement (DNS).

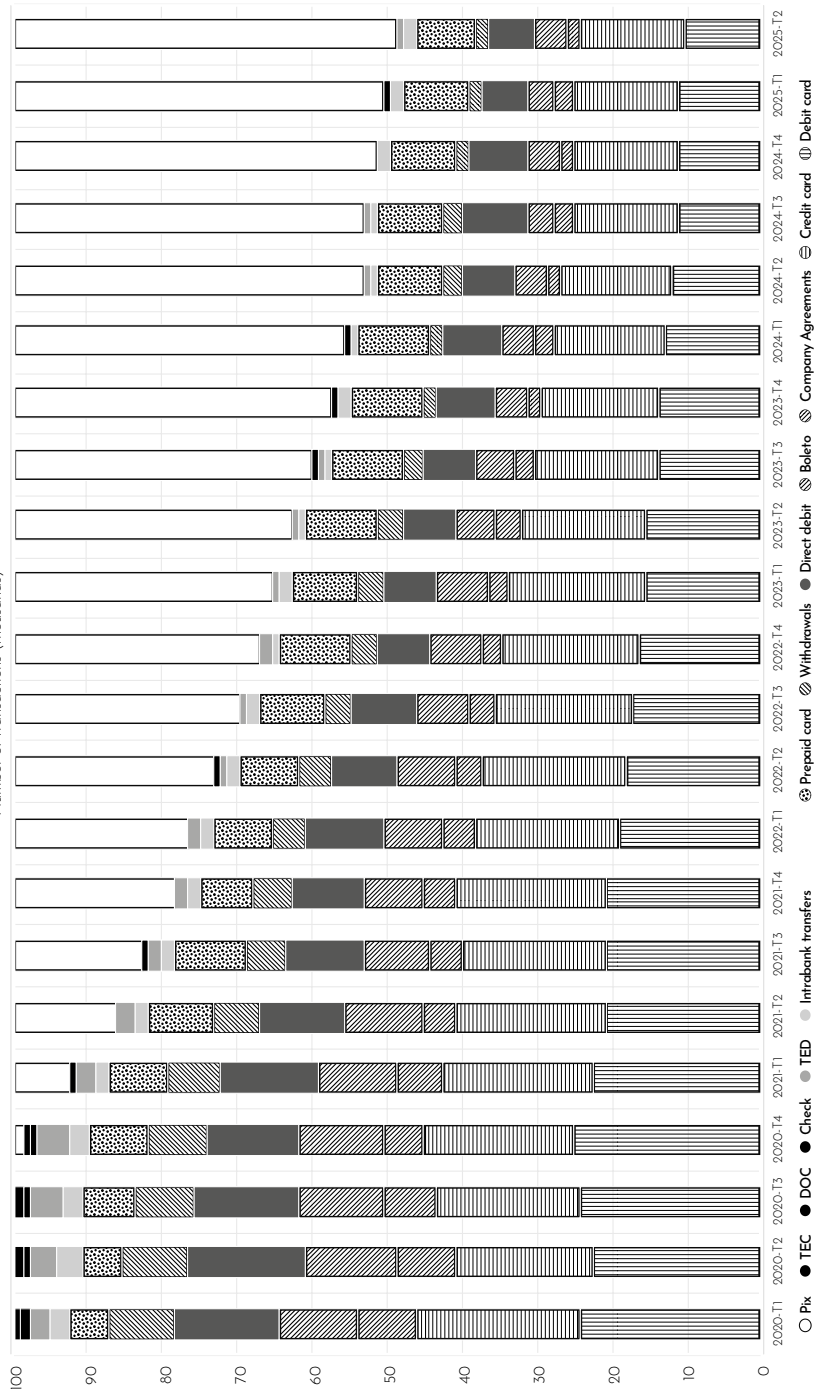

FIGURE 1. Percentage share of the number of transactions by instrument.

Source: Banco Central do Brasil.[2]

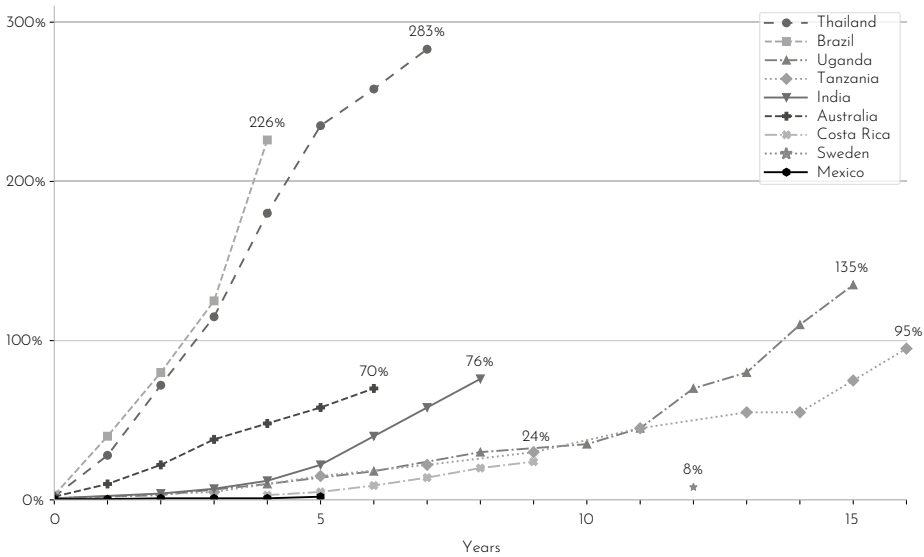

FIGURE 2. Fast payment systems: Transaction value as a % of gross domestic product (GDP).

Years since launch.

Source: Zetta.[1]

COMPARISON BETWEEN BRAZIL AND THE UNITED STATES

In the United States, the Federal Reserve operates two payment systems closely analogous to the STR and SPI. Launched in 1918, the Fedwire Funds Service was the world's first real-time gross settlement (RTGS) infrastructure,[22] now processing more than US$ 1 quadrillion annually.[23] In 2023, the Fed launched FedNow, an RTGS infrastructure for instant payments between institutions, mirroring the SPI. Private systems also operate alongside these: The Clearing House (TCH), owned by the largest U.S. commercial banks, runs the Electronic Payments Network and CHIPS under deferred net settlement and the Real-Time Payments (RTP) network under RTGS mechanisms.

A distinctive feature of the American market is the existence of multiple instant payment arrangements with wide public uptake, each drawing on different payment systems. In 2017, Early Warning Services—owned by the seven largest U.S. banks—launched Zelle, an instant payment network now integrated with more than 2,300 institutions.[24] A fourth-quarter 2024 survey of participating institutions found that 99.36% of Zelle-enabled accounts charge no fees for the service. In 2024, the Zelle user base reached 151 million accounts and US$ 1 trillion in transactions—less than 5% of U.S. GDP for that year.[25] That is far below Pix's 200%-plus of Brazilian GDP.

Unlike Pix, Zelle settles between payer and recipient in real time, but interbank settlement runs through TCH's RTP network, which, despite operating with RTGS, is not fully instantaneous. By contrast, FedNow—which shares its name with the underlying payment system—settles between institutions instantly as well. FedNow adoption has grown sharply, jumping from US$ 38 billion in 2024 to US$ 307 billion in the third quarter of 2025 alone.[26]

Venmo's instant transfer feature—which uses either the RTP network or Visa Fast Funds and Mastercard Send, the same technology that underpinned WhatsApp Pay in Brazil—also merits mention. *Instant Transfers* usage grew 28% in 2025, with an estimated user base exceeding 100 million, despite a 1.75% transaction fee. Adoption of apps such as Cash App, which facilitate P2P transfers via book transfer, has also surged: In 2024, Cash App processed more than US$ 200 billion and served over 50 million users.[27,28]

This picture—representative of the broader U.S. market—reflects a decentralized, competitive landscape. Although the Federal Reserve developed its own arrangement, as the BCB did, the absence of mandatory participation and zero-fee requirements keeps the competitive field open to innovation. Another emerging trend is the adoption of stablecoins as a payment method. Estimates put total stablecoin payment volume at more than US$ 120 billion in 2025,[29] and U.S. Treasury Secretary Scott Bessent has projected US$ 3 trillion by 2030.[30] These projections gained further momentum from the *Guiding and Establishing National Innovation for U.S. Stablecoins Act* (GENIUS Act), which established the first comprehensive U.S. regulatory framework for stablecoins.

Under BCB Resolution No. 520/2025, stablecoins are virtual assets backed by reserve assets designed to peg their value to a reference fiat currency.[31] However, BCB Resolution No. 521/2025 classifies the purchase, sale, or exchange of stablecoins as foreign exchange transactions, enabling the Federal Revenue Service to levy IOF on such operations—even for stablecoins pegged to the Brazilian real—thereby discouraging their adoption as a payment method in Brazil.[32] The Brazilian regulator thus mandates that its own payment arrangement, Pix, be offered free of charge, while simultaneously imposing a legal and operational structure that raises costs for competing arrangements.

PATHS TO THE BRAZILIAN PAYMENTS MARKET

It would be naive to expect the BCB to discontinue Pix. This is a global trend: More than 120 countries already have active instant payment systems, most with arrangements established by their respective central banks[1]—including the United States, as discussed above. And Pix has become so embedded in daily Brazilian life that withdrawing the privilege of free transfers would be virtually impossible.

That said, a more competitive instant payments market—along the lines of the U.S. model—would foster continued innovation in cheaper, more convenient payment

technology. A first step would be removing the mandatory-participation requirement for institutions with more than 500,000 active customer accounts, alongside the rule prohibiting fee charges for Pix transfers.

On the question of fees, the Zelle case shows how they can sustain smaller institutions—those representing less than 1% of active account volume—that serve customers with no access to alternative providers. Permitting fee charges enables business models that otherwise cannot be made profitable. A 2017 study found that Brazilians paid R$ 27 billion in bank fees that year.[33] More recently, research indicates that Pix saved Brazilians R$ 18.9 billion in fees in the first half of 2025 alone.[34] For reference, the combined profit of Itaú, Santander, Bradesco, Banco do Brasil, and Caixa over the same period was approximately R$ 60 billion. Given that these five institutions account for more than 50% of the country's demand deposits,[35] it follows that the lost fee revenue must be recouped elsewhere—including through bank spreads.

A second option would be to privatize the Pix payment arrangement, keeping the SPI infrastructure under Central Bank stewardship. Former Central Bank President Gustavo Franco raised this possibility at a 2024 panel: "Pix is a state-owned company that, at some point, may be privatized. The problem is who will buy it".[36] In the United States, Zelle is controlled by the country's largest financial institutions—a model Brazil could replicate. The hurdle is that the Brazilian government has already signaled its opposition. In an interview following the USTR investigation, then-Finance Minister Fernando Haddad said: "It is a sovereign Brazilian technology, and we cannot even dream, think, or imagine privatizing something that costs citizens nothing".[37]

A third path draws on Friedrich Hayek, the Austrian economist who won the 1974 Nobel Prize and was a longtime proponent of denationalizing money. Hayek[38] stated: I do not believe we will have good money again until we take it out of the hands of the government, that is, we cannot take it out of the hands of the government by force, all we can do is introduce something they cannot stop.

Free competition among currencies envisions private companies issuing their own money and competing for customer preference, without the state mandating the use of any particular currency. In this scenario, payment systems and arrangements could operate across multiple currencies. The cryptocurrency ecosystem already offers cross-asset, cross-chain exchange solutions that could inspire new business models. A free currency market would unlock many innovations across payments. As Rothbard[39] notes, however, there is natural resistance to this path: "We are accustomed to thinking of coinage as a 'necessity of sovereignty.'"

WHAT TO EXPECT FROM 2056

Payment arrangements in Brazil have historically been long-lived. DOC transfers, for example, ran from 1985 to 2024—a 39-year span. By 2026, TED and *boleto* arrangements will have reached 24 and 33 years respectively; Pix, launched in 2020, is in its

sixth year. New technologies will inevitably bring changes, but the core function of each payment method tends to endure.

Pix will almost certainly still be running in 2056—different, with more features, but still here. The expectation is that by then it will share the market with several competing instant payment arrangements. The U.S. market is headed in this direction, with FedNow, Zelle, Venmo Instant Transfers, Mastercard Send, Visa Fast Funds, Cash App P2P book transfers, stablecoins, and others all vying for consumer preference.

The greater uncertainty is whether the real will still be the currency of Pix transactions. Already the longest-lived currency in Brazil's modern history—circulating continuously since 1994—the real faces new pressures if the Central Bank's ambition of extending Pix to cross-border transactions is realized.[40] In a global arena, competition from other cross-border arrangements will be far more intense—and companies behind the world's largest payment networks, including Visa, have already placed their bets on stablecoins as the technology of choice for cross-border payments.[41]

By 2056, bitcoin adoption will very likely have grown substantially. By then, more than 99.9% of all bitcoins will have been mined. Perhaps, as Hayek foresaw, this will prove to be "what governments cannot stop"—the foundation on which payment solutions are built that ultimately supplant Pix. Among the many possible futures for the Brazilian payments market, one thing is certain: The path forward must be defined by free competition, limited government intervention, and respect for citizens' privacy.

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INFRASTRUCTURE AND THE ENVIRONMENT

Infrastructure is what makes the country possible: Energy, logistics, mobility, and sanitation define the cost of living and producing. The environment, in turn, is no longer a sectoral issue—it is a strategic component of competitiveness, security, and reputation. This subsection starts from the premise that development and conservation need not be opposites when institutions function, incentives are well designed, and rules are clear. The articles discuss how to increase investment, raise efficiency, improve coordination, and align growth with environmental responsibility, looking at choices in 2026 that will have a direct impact in the coming decades.

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MOBILITY AND TRANSPORTATION: DIAGNOSIS AND LIBERAL SOLUTIONS

Brazil has many challenges to overcome, and infrastructure and urban mobility have always been among the biggest. Every day, commuters face gridlock, overcrowded buses, and subway systems too overwhelmed to meet demand. In turn, in the logistics field, industries and producers also bear high costs to transport goods on deteriorating highways and congested ports. As a result, citizens end up with a lower quality of life, while the country grows less competitive and productive.

This situation is largely a product of how the state has structured the sector. Unstable regulation and excessive state intervention have created an environment in which private initiative has no room to generate innovation or attract investment. Contracts drafted by state agencies—with unpredictable terms, poorly designed concessions, and cross-subsidies—drive operators away, leaving public transportation mired in poor quality.

A prime example of this dysfunctional logic is urban transportation. Although the federal government has announced R$ 10 billion in investment for mobility projects, those who depend on public transit every day continue to face the same frustrations: poorly integrated systems, long waits, and aging, uncomfortable vehicles.

Innovative, effective proposals go unrewarded so long as the current model concentrates decision-making in public agencies and locks in rigid fares. Meanwhile, cities around the world are pioneering alternatives built around micromobility—light means of transport, scooters, and bicycles—while integrating management applications that enable more economical, faster, and safer routes.

Micromobility can meaningfully relieve pressure on traditional transit systems. By using light means of transport, riders can complete the final "last mile" leg of their journey with low emissions and in a flexible manner, without necessarily relying on buses or cars. These modes also reduce environmental impact and support modal integration, allowing passengers to combine transit options in a coordinated, efficient way.

A recent study on micromobility in Brazilian urban centers finds that these modes offer an alternative to traditional transportation, especially for short to medium distances, and contribute to reducing emissions and promoting more sustainable mobility.[1] Unfortunately, this segment is still in its infancy in Brazil.

The expansion of this sector still faces obstacles, owing to inadequate planning, missing incentives, and regulatory barriers. Yet liberal reforms can unlock substantial benefits: transparent pricing, greater competition and innovation, tighter integration with public transit, and expanded public-private partnerships. Micromobility could significantly reduce traffic congestion and improve quality of life for residents.

The urban mobility debate must also grapple with the energy transition. Transportation accounts for roughly 47% of carbon dioxide (CO_2) emissions in the Brazilian energy sector, according to the Ministry of Mines and Energy. Policies that encourage electric fleets, biofuels, and charging infrastructure can reduce both operating costs and emissions, provided they are built around free-market principles and horizontal incentives. Private capital is essential to enabling technological innovation and expanding green supply and financing networks.[2]

Autonomous vehicles and other emerging technologies should be encouraged—under conditions of freedom and legal certainty—to reshape urban mobility and logistics. Systems that use connectivity, artificial intelligence, and sensors can reduce accidents and operating costs while optimizing traffic flows in major urban centers. Foreign experience shows that pilot projects and flexible regulation allow new technologies to be tested, spurring innovation.[3] In Brazil, legislation on autonomous vehicles is already under review in the Chamber of Deputies.[4]

Intercity transportation—still largely neglected in Brazilian public policy—also warrants attention. The passenger rail network is thin, and subway systems are concentrated in a handful of capital cities, overloading buses and making daily commutes costlier and more time-consuming. Expanding rail and subway lines between metropolitan areas would relieve urban transit pressure and cut emissions, provided such projects are structured with private participation, long-term contracts, and clear rules.[5]

Cargo transportation presents the same set of problems. Brazilian agribusiness is highly productive and competitive, yet it is hobbled by outdated ports and high freight costs imposed by roads in poor condition. These infrastructure constraints deter international carriers from calling at Brazilian ports.

Inefficient "last mile" transportation and logistical bottlenecks undercut the competitiveness of domestic production. Terminals are congested, ports lack adequate depth, and highways go unmaintained. Studies indicate that by 2030, around 44% of infrastructure resources should be directed not only to new construction, but also to maintaining and modernizing existing assets.[6] Given reliable regulation, clear rules, and predictable concession contracts, the private sector can be motivated to contribute capital, generating efficiency and innovation.

In practice, however, private investment is frequently choked off by regulatory instability and heavy state intervention. A recent study found that the public sector still handles risk mapping and mitigation at the planning stage for transportation infrastructure concessions[7]—a dynamic that limits capital attraction, creates

uncertainty, raises costs, and discourages private participation across transport and mobility.

The BR-381 concession in Minas Gerais illustrates the problem concretely. In 2021, the concession was postponed after repeated revisions to the tender notice and changes to the risk-and-return conditions, causing multiple private groups to withdraw from the auction.[5] Such situations erode trust and raise the cost of investment, as the market prices regulatory risk into project costs. Policy reversals during contract execution—unilateral tariff revisions, direct interference in contracts—drive investors away and compromise the continuity of projects that matter for the country.

Against this uncertain backdrop, private initiative offers a way forward. The construction of a deep-water port in Espírito Santo—designed to receive large vessels—demonstrates how private capital can reduce dependence on public funds, which are too often misappropriated or lost to bureaucracy and delay. The liberal model offers a safer, more prosperous path.

The international literature on private participation in infrastructure identifies both benefits and risks. A report by the Inter-American Development Bank (IDB)[8] entitled "The impact of private sector participation in infrastructure: lights, shadows, and the road ahead" catalogues numerous benefits of private investment, while stressing that success depends on sound institutional infrastructure, stable regulation, and clear contracts to ensure legal certainty and competition.

For Brazil to make real progress in urban mobility, the following liberal reforms deserve adoption: (i) Allowing micromobility operators to enter the market through simple authorization, without arbitrarily imposed fixed fares; (ii) Promoting digital mobility platforms as an integral part of the urban transit system, integrated through selective subsidies or dynamic pricing; (iii) Revisiting fixed public fares, encouraging demand-responsive variable pricing to promote efficiency and user co-responsibility; (iv) Structuring public-private partnerships (PPPs) for urban mobility with clear performance standards, limited regulatory risk, and quality indicators tied to private remuneration.

Congestion pricing—variable charges by time or zone—offers one instructive model. In Stockholm, Sweden, traffic fell persistently and emissions declined after the charge was introduced; initial public resistance gave way to broad acceptance once the results were visible. The lesson: With simple rules, clear objectives, and transparent revenue allocation, meaningful gains are achievable.[9]

PPPs have emerged as an essential tool for closing Brazil's infrastructure gap, but their mere existence is no automatic or risk-free solution. On this topic, a study indicates that PPPs were presented as a solution to the lack of public investment in infrastructure in Brazil. However, as Nakamura[10] cautions, PPPs are a complex contracting model that demands careful planning to protect the public interest.

In mobility and transportation, simply opening space for the private sector is not enough. Contracts, rules, and governance models must be designed to ensure

efficiency, return on investment, and concrete results for the public. In recent years, the Brazilian PPP market has shown real signs of maturity, with significant highway and port concessions and new urban projects beginning to attract diverse investors. Even so, the market remains in a consolidation phase and needs regulatory stability and sharper monitoring mechanisms before its potential can translate into real improvements in infrastructure and mobility.[11]

Invepar S.A. offers an emblematic case of urban mobility transformed by private-sector engagement. The group operates across multiple concession areas, including highways, airports, and urban transportation. Its best-known assets include MetrôRio, one of the main transit lines in the state capital, ViaBahia, and LAMSA, which manages the Yellow Line. The experience shows how private participation can modernize essential services and improve operational efficiency when regulatory security and contractual balance are in place.[12]

This case shows how private initiative can modernize services, improve quality of life, and raise operational efficiency. When public and private interests are in balance, progress is possible. Yet it also exposes the concession model's vulnerabilities in Brazil, particularly in the face of legal uncertainty and regulatory instability.

In the logistics sector, port privatization, highway concessions, and other private initiatives are equally vital to modernizing infrastructure. For this to work, regulation and contracts must inspire confidence and legal certainty, making domestic and foreign investors willing to bet on Brazil's potential. A competitive environment can only be built on stable rules and limited discretionary intervention by the state.

Legal certainty alone is not enough—advancing mobility and infrastructure also requires well-coordinated governance across levels of government. Municipalities, at the forefront of policy implementation, often lack the technical capacity and resources for larger projects. Coordination among the federal government, states, and municipalities is therefore essential to harmonize rules, integrate systems, and eliminate overlapping efforts—which generate only waste and delays. Without strong, cooperative local action, concessions and PPPs lose efficiency, and their transformative potential is squandered.[13]

For the logistics sector specifically, the following proposals are key: (i) Expanding concessions for priority highways and railways, with tolls and tariffs commensurate with expected productivity; (ii) Privatizing or conceding ports with adequate depth, removing cross-subsidies and stimulating port competition (recent surveys indicate that Brazilian ports still operate below international benchmarks);[6] (iii) Establishing stable regulatory frameworks for private investors; And (iv) encouraging multimodality—railways, waterways, and highways—to reduce the country's logistics costs and strengthen agribusiness and exports.

Properly integrated, the private sector can lift Brazil's infrastructure to a new level. The country has the conditions to offer decent public transportation, adequate urban mobility, and efficient logistics. But recognizing that the current scenario—which, it bears repeating, is worrying and discouraging—will not change through

government action alone is essential. Opening to private capital and implementing pricing freedom are indispensable to a more prosperous future in mobility and infrastructure.

Modernizing the institutional framework demands clear, stable regulation; a curtailed state role; and fares that remunerate private investment without unduly burdening end users. The World Bank report cited above notes that Brazil needs a comprehensive infrastructure governance strategy focused on building technical capacity at the subnational level to increase private participation. The federal government, states, and municipalities must act in concert so that mobility projects are truly integrated, not fragmented.

Measuring individual use and satisfaction is essential to calibrating contracts and setting goals. Survey data consistently show that citizens are dissatisfied with long wait times and poor integration, underscoring the need to embed performance metrics in PPPs and urban concessions.[14] Data collection must enable effective management.

Brazil has the conditions and potential to transform urban mobility and freight logistics, but doing so will require more than public resources. It demands an institutional framework that ensures competition, freedom, predictability, and innovation. Citizens must become active participants rather than merely passive users. State dirigisme must give way to economic freedom, so that a country can be built where people can move freely, served by efficient urban transit and infrastructure that meets their needs.

With the right incentives, the private sector can drive this transformation, building highways and ports that function and a society capable of moving, producing, and growing. More than capital, Brazil needs predictability, regulatory stability, and institutional trust—elements that unlock the entrepreneurial potential of individuals and allow solutions to emerge spontaneously, efficiently, and sustainably.

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LOGISTICS INFRASTRUCTURE IN BRAZIL: THE END OF THE MYTH OF THE WELFARE STATE AND THE RISE OF PRIVATE SOLUTIONS

Brazil, a country of continental dimensions, is internationally recognized as the world's agricultural breadbasket and has an industrial base capable of producing a wide range of goods and commodities. Despite this productive potential, it faces one of its biggest bottlenecks: logistics. Throughout history, successive governments have sought to expand territorial integration and improve connectivity between distant regions, always under the logic of central planning and state solutions to infrastructure problems.

Understanding Brazil's current logistics infrastructure requires a look at how the choices—and missteps—of past governments produced today's modal configuration.

HISTORICAL OVERVIEW

The Planning and Logistics Company (EPL), cited in a study by the Brazil Logistics Institute,[1] notes that the earliest documented transportation plans in Brazil date to a period when the country's interior remained largely unsettled—the first half of the nineteenth century, when long-distance travel relied on maritime transport.

In 1854, businessman Irineu Evangelista de Souza, the Baron of Mauá, built a 14.5 km stretch connecting the Port of Estrela to the town of Raiz da Serra, in Petrópolis, Rio de Janeiro, which would be the first Brazilian railroad.[2] Coffee barons and businessmen from São Paulo subsequently formed the Companhia Paulista de Estradas de Ferro (São Paulo Railway Company) and built the state's first railroad, as described by Adriano Paranaíba.[2]

In 1869, military engineer Eduardo José de Moraes conducted a study entitled "Inland Navigation in Brazil," aimed at creating a broad inland navigation network by interconnecting the main river basins, such as the Amazon and the Prata. One of the main objectives of this connection was the defense of Brazilian borders from a military point of view.[3]

In 1874 and 1882, engineer Ramos de Queiroz proposed two plans, both focused on increasing the integration and use of railways with waterways. What distinguished Ramos de Queiroz's project was its financing proposal, which called for "the use of credit, interest guarantees, capital raising, and redemptions, as well as the need for a bill to guarantee financial resources for transportation works".[3]

Also in 1874, engineer André Rebouças, "also known for his abolitionist struggle, and inspired by the quadrangular road model of the United States, proposed a theoretical plan that traced an inverted pyramid with ten major crossroads that would connect all of Brazil".[3] A visionary, Rebouças presented what amounted to a blueprint for the Trans-Amazonian Highway—though one far beyond the era's financial reach.

Other plans were presented during this period, but all were rejected on grounds of poor economic returns, insufficient financing, and "resistance from the Brazilian agrarian elites," since "greater spatial accessibility would pose a threat to their political power."[3]

In the following decades, during the Getúlio Vargas administration (1930–1945 and 1951–1954), Brazil underwent a profound structural transformation, with heavy state intervention in the economy. Vargas pursued import substitution and national industrialization, a strategy that required at least a minimal infrastructure to supply the nascent industries.

During this period, the priority was road development, considered more agile and adaptable to the needs of regional and military integration. The creation of the National Department of Highways (DNER) in 1937 consolidated the idea that the state should lead the planning and execution of overland infrastructure. In addition, Vargas encouraged the founding of strategic state-owned companies, such as Companhia Siderúrgica Nacional (CSN) and Companhia Vale do Rio Doce (CVRD), which required efficient transportation of raw materials.

Despite industrial advances, the emphasis on highways ended up marginalizing rail transport, which until then had been the country's main logistical link. Rail transport was seen as a symbol of the coffee era and foreign influence, while highways embodied the vision of national modernization.

In the 1950s, Juscelino Kubitschek (JK) (1956–1961) continued and expanded Vargas's logic through his Target Plan, whose motto was "50 years in 5." The program provided for massive investments in energy, transportation, food, basic industry, and education, with transportation the second-largest recipient of funds.

JK's focus was clearly on road transport, spurred by the arrival of the automotive industry in Brazil. Automakers such as Volkswagen, Ford, and General Motors set up operations in the country, transforming road transport into the central axis of national integration. Major highways were built, such as the Via Dutra, connecting Rio de Janeiro and São Paulo, and the Belém–Brasília and Brasília–Belo Horizonte highways, which were essential for the interiorization promoted by the new federal capital.

Although the Target Plan promoted a leap in territorial integration and industrialization, it also deepened modal imbalance: While highways expanded rapidly, railways and waterways were left behind, consolidating the dependence on road transport, which still dominates the Brazilian logistics matrix today.

During the military regime (1964–1985), the logic of territorial integration intensified, with the aim of boosting economic growth. Inspired by the idea behind the slogan "Brasil Grande" (Great Brazil), the government invested heavily in transportation and energy projects, notably the construction of the Transamazônica (BR-230) highway, the Cuiabá–Santarém (BR-163) highway, and the Itaipu hydroelectric dam.

Road transport remained a priority, with railways continuing to lose ground and accumulating millions in losses; on the other hand, waterways received only occasional investment. This model prioritized territorial occupation and geopolitical integration, but maintained structural dependence on road transport. This same period was marked by the expansion of the agricultural frontier to the Midwest and North.

The authors[4] point out that: In Brazil, despite major changes in the mid-1990s (when privatization took place through the sale of assets and concessions of exploitation rights), the country was unable to significantly expand the level of investment in infrastructure.

THE REALITY OF BRAZILIAN INFRASTRUCTURE

Although governments of different ideologies have tried to contribute to the issue of logistics infrastructure in Brazil, transportation costs now stand out as a direct drag on the final price of goods (Figure 1). This is a significant barrier to exports for Brazilian companies, according to the latest survey presented by the National Confederation of Industry.[5]

Brazil ranks poorly on the World Economic Forum's Global Competitiveness Index, which compares "a country's infrastructure supply, highlighting its ability to transport production, reduce logistics costs, and increase the attractiveness of investments".[6] This performance is mainly due to highways, a category in which Brazil ranked 93rd out of 141 countries evaluated.

The modal split of transport services used by shipping companies in Brazil, according to the latest formally published survey by the Dom Cabral Foundation (FDC),[7] is as follows: 75.9% road, 9.2% sea, 5.8% air, 5.4% rail, 3% coastal shipping, and 0.7% waterway. When compared with the data cited by *Valor Econômico* magazine[8] in a

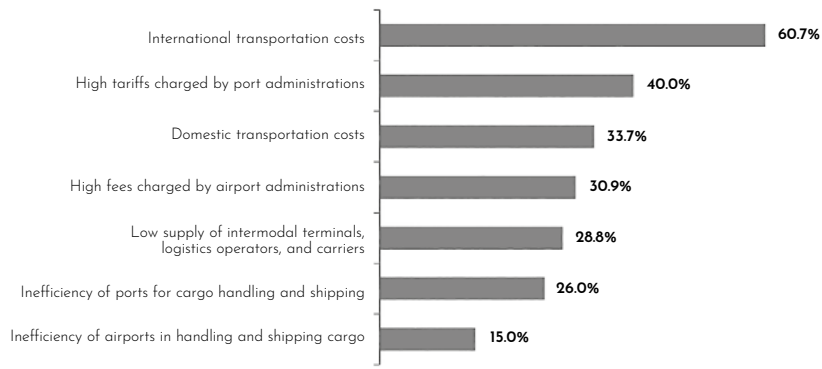

FIGURE 1. Logistical barriers by order of criticality – percentage of companies that classified the barrier as "highly impactful" or "critical."

Source: From the Author.

recent publication, the picture had shifted considerably: Seven years on, in 2024, the modal distribution stood at 68.5% road, 12.4% coastal shipping, 9.9% rail, 7% inland waterways, and 2.2% pipelines. Regarding the impact of logistics on cost composition, the FDC points out that logistics costs are more significant in mining, paper and pulp, agribusiness, and the construction industry (above the overall average), while they are much less significant in the pharmaceutical, capital goods, automotive, and electronics segments.[7]

The National Transportation Confederation (CNT)[6] pointed out in its 2024 Road Survey that "the Brazilian road network extends over more than 1.5 million kilometers (excluding the planned network)". However, only 12.4% are paved, "corresponding to 213,500 kilometers". Unpaved roads total about "1.4 million kilometers and represent 78.5% of the network." Figure 2 presents a graph extracted from the aforementioned report on this data.

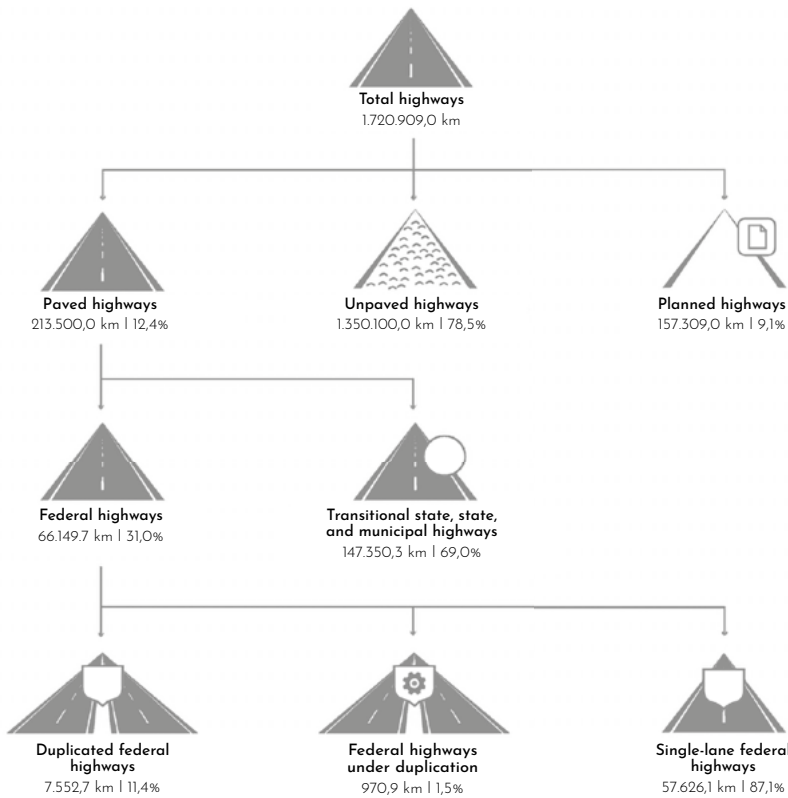

FIGURE 2. Brazilian road network.

Source: CNT.[6]

Unpaved highways drive up transaction costs through longer travel times, higher spending on vehicle parts and equipment, and elevated accident rates caused by inadequate signage.

The CNT sharpens this picture by comparing Brazil with peer nations: The lack of adequate infrastructure in Brazil becomes even more evident when compared to neighboring countries or even countries of similar size. In terms of paved highway density, Brazil has approximately 25.1 kilometers of paved highways per thousand square kilometers of territory. In contrast, other Latin American countries, such as Uruguay, Argentina, and Ecuador, have densities of 43.9, 42.3, and 31.4 kilometers per thousand square meters of area, respectively.

China, the United States, and Australia—countries with dimensions similar to those of Brazil—have 477.0, 437.8, and 94.0 kilometers of paved highways per thousand square kilometers of area, respectively. This corresponds to densities 3.7 (Australia) to 19.0 (China) times greater than Brazil's, highlighting the disparity in road infrastructure. Moreover, these countries maintain more balanced freight transport matrices across modes and are therefore less dependent on roads. In Australia, road transport accounts for 34% of the matrix; in the United States, 56%.[6]

In Figure 3, let us examine the graph presented in the aforementioned report.[6]

In the "Highway Connectivity and Road Infrastructure Quality" index, the country ranked 69th and 116th, respectively. The CNT points to the direct impact that infrastructure shortfalls have on the final prices of commodities produced in the country: "*Transporting soybeans from Brazil to China can cost US$ 62.50 more per ton than the cost incurred by its competitors in Illinois, in* the US".[6] Figure 4, prepared by the CNT, illustrates this competitive gap.

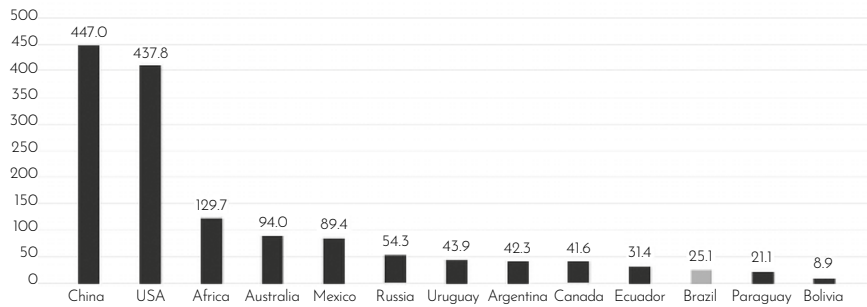

FIGURE 3. Density of paved road network by country.

Values in km/1000 km^2.

Source: CNT.[6]

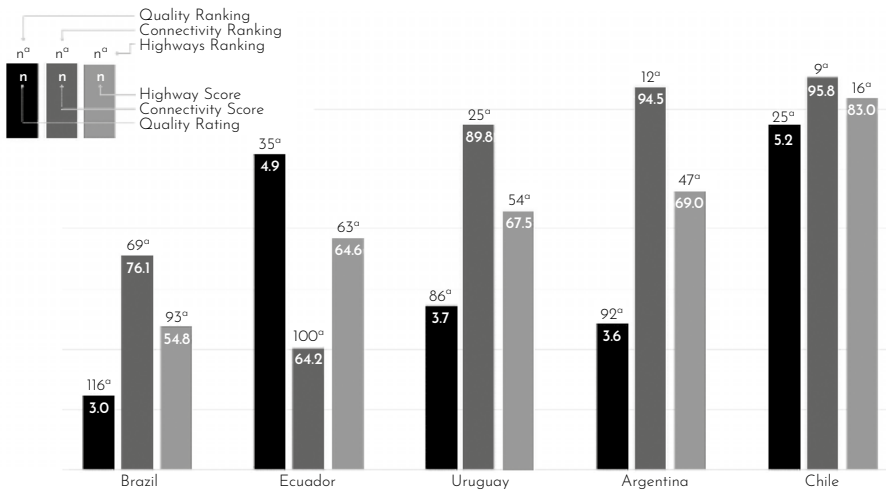

FIGURE 4. Highway competitiveness ranking — 2019.
Source: CNT.[6]

For comparative purposes, the National Supply Company (Conab) considers a loss of up to 0.25% in grain transportation tolerable. Yet various reports indicate that Brazil loses roughly 15% of its grain output to logistical failures[9] —a figure also tied to storage failures and the long distances between farms and silos,[10]* though the poor quality of roads and railways clearly contributes. In this sense, the losses caused by road transport are justified by the lack of infrastructure for transporting the harvest; the presence of unpaved and poorly maintained highways and rural roads; the use of trucks and bodies that are unsuitable for transporting grain; the absence of traffic signs and shoulders on highways; the movement of grain over long distances; the condition of the truck bodies; losses during harvesting, caused when unloading grain onto trucks; the non-use or incorrect use of tarpaulins inside the truck bodies and covering the grain; excessive loads, among other factors.[11]

In a study on losses in grain transportation and storage, researchers José Caixeta Filho and Thiago Guilherme Péra[12] concluded that "around 45.53% occurred in storage logistics; 21.67% in road transportation from the farm to the warehouse; 13.31% in road transport; 1.62% in multimodal waterway transport; 8.24% in multimodal rail transport; and finally, 9.04% at the port."** Péra and Caixeta Filho[13] compiled the re-

*The authors Carlos Caneppele, Antonio R. B. da Silva, and Pedro S. X. Pereira[11] conducted a study on quantitative losses in bulk grain road transportation, comparing the loss rates along the analyzed section between *bitrens* and *rodotrens*.

**When grain losses are analyzed in relation to the year 2015.

TABLE 1. Quantification of economic grain losses in Brazil (2015)

Indicators	Soy	Corn	Grains (Soybeans and Corn)
Physical losses (million tons)	1,076	1,304	2,381
Physical losses (% of production)	1,102	1,535	1,303
Economic losses (million R$)	1,317 (95.6% opportunity costs and 4.4% logistics costs)	722 (92% opportunity costs and 8% logistics costs)	2,039 (94.3% opportunity costs and 5.7% logistics costs)
Environmental losses (t CO_2 added)	21,533	17,368	39,901
Environmental losses (% of CO_2 added)	1.53	1.15	1.33

Source: Caixeta Filho and Péra.[12]

sults of their studies in a table that also indicates the environmental impacts of grain losses* (Table 1).

This logistical bottleneck makes Brazilian producers and entrepreneurs less competitive by considerably raising the final cost of goods—whether through grain loss and breakage in agriculture or through high transport costs across industry as a whole. For this reason, the Jair Bolsonaro administration implemented a National Logistics Plan that sought to deliver solutions by 2035 across all modes of transportation.

In 2024, President Luiz Inácio Lula da Silva published Decree No. 12,022/2024,[14] establishing the Integrated Transport Planning (PIT), a framework aimed at planning a transport network for goods and people, grounded in an integrated and dynamic vision of the national territory. This planning project will apply to "federal highway, rail, waterway, port, and air subsystems and to the road and logistics connections between these subsystems and the transportation systems of the states, the Federal District, and the municipalities".[14]

*Péra and Caixeta Filho[13] also present data comparing accumulated losses across different grain agrologistics: "The agrologistics with the greatest loss involves storage outside the farm (since losses from transportation between the farm and the warehouse are accumulated, in addition to storage losses), combined with poor--quality road infrastructure for transporting grain from the farm to the multimodal terminal (rail or waterway), along with additional losses occurring at the multimodal terminal, during rail or waterway transport, and at the port terminal. In this situation, losses reach 2.32% of the quantity initially shipped. The agrologistics with the lowest grain loss involves a situation in which no storage occurs; that is, the grain is transported from the farm to the consumer center (domestic market) solely via roadways classified as being of good quality. In this case, the loss amounts to 0.132% of the quantity initially shipped at the origin (farm)."

The Leninist system of central planning relies on the following "instruments": a) National Logistics Plan (PNL); b) Sectoral plans for the road, rail, waterway, port, and air subsystems; c) General Partnership Plan; and d) General Public Action Plan.

The PNL is currently in the diagnostic phase, which involves a broad public consultation aimed at gathering contributions, and will then move on to defining scenarios and goals. The objective is to structure the national transport network by 2050, seeking to align investments with the country's long-term needs and promote integration between different modes of transport. The PNL is expected to be published by the end of 2025, so that by the time this article is published, we believe we will already have access to a final version of the document. The public consultation was well received by analysts, precisely because it opened up space for participation by the segment of the population that deals daily with the adversities of the current transportation system.[8]

The fact is that public policies focused on Brazilian logistics infrastructure, historically concentrated on state action and centralized decision-making, have created an inefficient and unbalanced system between modes of transport. This dependence on road transport, coupled with poor road maintenance and low density of paved highways, compromises the country's competitiveness, increases freight costs, and compounds production losses, especially in agribusiness and mining. The result is a vicious cycle in which logistics costs reduce profitability, restrict investment, and perpetuate structural underdevelopment.

That said, recent initiatives, such as the National Logistics Plan (PNL) and Integrated Transport Planning (PIT), represent an attempt to address long-standing distortions through a more systemic, long-term approach. By proposing integration between modes of transport and federal cooperation between the Union, states, and municipalities, the new planning model seeks to promote a more balanced and sustainable logistics matrix connected to production hubs. However, success will depend on the capacity for execution, the reduction of bureaucracy in processes, and the attraction of private capital for infrastructure projects, especially through concessions and public-private partnerships (PPPs).

In short, Brazil's logistics challenge is not only technical, but also political and institutional. Overcoming this bottleneck requires continuity in public policies, regulatory stability, and an environment that encourages private sector participation in the expansion and maintenance of transportation networks. Investing in railways, waterways, and coastal shipping is essential to reduce dependence on highways and ensure greater efficiency in the flow of domestic production. Only through an integrated vision that combines state planning, business efficiency, and technological innovation can Brazil transform its productive potential into global competitiveness.

CONCLUSION AND PROPOSED SOLUTION

Throughout Brazil's history, successive governments have sought to solve the logistics problem through centralization and public investment. However, years of neglect have brought us to an unsustainable situation: It is not enough that the

Brazil Cost is high (encompassing the full tax burden, costs arising from legal, regulatory, and social uncertainty, as well as labor and credit costs—all considerably raised by the default rates of Brazilian debtors, which have reached unsustainable levels partly because of court decisions that sanction such conduct, the well-known moral hazard); we have also lost competitiveness due to the significant cost of logistics, the lack of basic infrastructure, and the shortage of trained drivers, among other factors.

Rethinking Brazil's model requires abandoning the old assumption that the state can provide for and meet citizens' demands. As Paranaíba[4] teach, there are possible alternatives to the current model, already operating in other countries, involving hybrid initiatives such as PPP models that promote efficiency and accountability. To make the example concrete, the author points out: To bring the example closer to reality, consider that, according to data from the National Transportation Confederation (CNT), in 2015, R$ 3.5 billion were lost annually in the transport of soybeans and corn, increasing the operating cost of agribusiness by 30.5%—and this only in soybean and corn production. Statistics show that the estimated cost of building a highway is R$ 1.3 million, meaning that the annual losses from transporting soybeans and corn could fund the construction of 2,700 kilometers of highways per year. These figures warrant serious reflection. More than generating savings, the free-rider myth can be seen as a positive externality—for all agents involved.

Costa and contributors[4] examine financing mechanisms developed in the United Kingdom that resemble property taxes but derive from the financial benefit that public service provision brings to adjacent properties. The authors,[4] citing Medda and Modelwska, present three mechanisms within this format: a) Betterment taxes, calculated based on improvements in accessibility and street paving that ultimately increase property values, charged directly to the owner; b) The joint development mechanism, which "works with cooperation and cost sharing between the public and private entities—a collaboration that can occur in various areas of the project: financing, construction, operation, or maintenance"; And c) tax increment financing, which works by anticipating "future increases in tax revenues to finance infrastructure improvements by capturing an increase in tax revenues." Examples of this "property value capture" methodology can be found in Hong Kong, London, Washington, and Poland.

A graph prepared by the CNT[6] further demonstrates that concessions have a positive impact on the quality of road infrastructure, which is superior to that of sections under public administration. In addition, it should be noted that concessions provide safer roads (Figure 5).

Against this backdrop, the private sector solution presents itself not merely as an alternative, but as the most realistic and sustainable path for Brazil's logistics development. The overburdened and inefficient state should assume only a regulatory and supervisory role, while the private sector takes the lead role in executing and financing infrastructure projects.

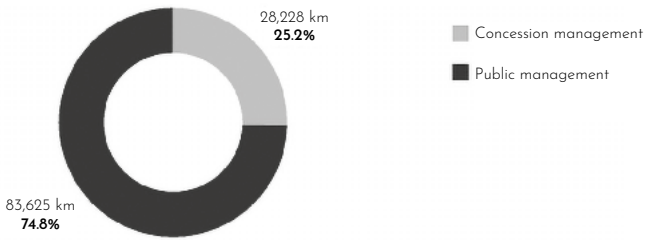

FIGURE 5. Paved road length by type of management.
Values in km.
Source: CNT.[6]

Models such as concessions, privatizations, and PPPs have already demonstrated their ability to attract investment, promote operational efficiency, and reduce costs. The private sector naturally tends toward productivity, innovation, and economic returns—factors that, when well designed, generate broad benefits for society.

The private sector can and should act as an engine of development, transforming historical bottlenecks into opportunities for value creation, provided that the state steps back from its self-appointed omnipresent, omniscient role—promising much and delivering little—and instead encourages private actors while fulfilling its core responsibility: guaranteeing contracts. The internalization of gains, whether through property value capture, tax increment financing mechanisms, or joint development models, creates a virtuous circle in which investment returns in the form of infrastructure improvements, real estate appreciation, and economic growth.

Therefore, to overcome the so-called Brazil Cost and break the cycle of public inefficiency, it is imperative to transition from a centralized, state-run model to a shared governance model in which private capital, encouraged and legally protected, can operate freely and safely. Only through this pragmatic shift can Brazil build a logistically integrated, competitive country ready for the twenty-first century.

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A STEP TOWARD FREEDOM: HOW MEDELLÍN CAN INFLUENCE BRAZIL TO BE MORE FREE

INTRODUCTION

Every Brazilian has encountered potholes on public roads. Even those who do not yet drive have observed—as pedestrians or passengers—the precarious state of many streets and avenues. Over the years, this view has become more critical: We notice not only the existence of potholes, but also the pattern of inefficiency in their repair. Repairs are carried out in an improvised manner, which soon turn into new problems, or interventions that appear to be well done, but are unable to withstand the first rain.

At first glance, this reality may seem to be a direct consequence of the incompetence of the contracted companies. However, the problem is much deeper and more structural. It is not just a matter of failures in urban planning or contract management, but of a historically maladjusted public system that cuts across the three branches of government.

The Legislative Branch creates laws and regulations that are often disconnected from the operational and financial reality of municipalities; the Executive Branch, in turn, often plans without executing or supervises insufficiently, resulting in schedules that are born to be broken; and the Judiciary, instead of correcting the course, often reinforces institutional barriers, either by slowing down the resolution of contractual disputes or by making decisions that discourage the effective accountability of bad managers and service providers.

And even though we have a troubled past with dictatorships, corruption scandals, periods of hyperinflation, and many other issues, our gross domestic product (GDP) per capita is still one of the highest in Latin America (World Bank). However, when we look at the returns on our taxes in terms of government services, we see many significant shortcomings, including in the management of urban infrastructure in cities.

It is clear that private initiative is the ideal path. Still, it is worth noting that some of our Latin American neighbors have managed to make progress on similar issues even with more present and decentralized state arrangements. Perhaps, therefore, we should look less to the models of developed countries and more to our neighbors—who, with often simpler solutions, seem to deal better with the same challenges we face.

This text argues a simple thesis: The pothole in the Brazilian street exists not for lack of law, but for lack of consequence. And, perhaps more uncomfortable still, it persists because we have come to accept it.

THE BRAZILIAN BIDDING PROCESS

The process of repairing and building public roads begins long before the shovel and pickaxe are taken out of storage, and this becomes clear when we analyze Law No. 14,133/2021,[1] the Manual of Bids and Contracts of the Federal Court of Accounts (TCU) and the Practical Guide to Bids and Contracts of the Office of the Comptroller General (CGU)[2] and simulate a linear and efficient system for the process.

It begins in the administrative department, where complaints are received and documented, and the most critical roads in need of repair are identified. Thus, the formation of the public notice begins, which will allow companies interested in undertaking the work to apply. This call for bids will describe, for example, the minimum thickness of the road layers, the execution deadline, the type of material required, the estimated cost, and the form of payment by measurements.

To participate in the bidding process, a company must prove its competence through financial statements, technical capacity certificates signed by previous clients, records of the responsible engineers, and other documentation. Everything must be sent digitally so that they can proceed to the electronic auction. Once in the electronic auction, there are bidding rounds in which companies compete with each other, respecting a minimum feasibility value defined by the municipality. Furthermore, after winning the auction, the company needs to deposit a security deposit as a contractual guarantee.

If everything is in order, the contract is signed, and the city issues the work order (OS) with the necessary guidelines for commencement. During the work, there are technical visits, and reports are issued by the engineers responsible for the progress of the work. These reports are reviewed by the city's technical staff so that payments can be made to the company.

Once completed, the work receives new visits and reviews, in addition to a predefined guarantee by the company to perform subsequent maintenance at no additional cost, which is usually for 12 months after completion. If there are recurring failures, the company may be suspended from future bids and even incur fines.

It is a slow and exhausting process for companies, but theoretically important in ensuring the quality and execution of public works. However, we know that this is not what happens in practice. The truth is that the main problem is not in the process, but in everything that surrounds it.

WHERE THE SYSTEM ACTUALLY FAILS

The "Brazilian way" (*jeitinho brasileiro*) often creeps in where there are loopholes in control. Even with well-structured rules, we depend on human integrity—and, unfortunately, it is the weakest link in the system.

With real cases around the country, it is possible to demonstrate some of the main problems with the entire process.

Poor planning

The most common mistake occurs even before any company applies: poorly drafted notices, unrealistic budgets, and a lack of detailed executive projects.

In 2023, the Paraná State Court of Auditors confirmed that payments were made for asphalt paving services that did not comply with what was actually done in the field, in addition to serious oversight failures. The Court held managers accountable and noted that the irregularities persisted even after being pointed out by the auditors.[3]

Hiring of unqualified companies

Even with all the legal requirements, there are still cases in which companies without technical capacity manage to win bids —often by offering "unfeasible" prices.

In 2016, Operation Sea of Mud,[4] in Governador Valadares, in the state of Minas Gerais, revealed fraud and collusion in public tenders, with front companies winning bids for paving and drainage works, resulting in losses of tens of millions.[5]

Poor quality execution

During execution, the most recurring problem is the use of inferior materials, asphalt thickness less than contracted, and lack of adequate compaction.

In 2024, the CGU found thin, low-quality, and overpriced asphalt in works contracted by Codevasf in ten states. The analysis of 24 construction contracts identified construction defects in 15 of them, equivalent to 62.5% of the sample. In total, the projects analyzed amounted to R$ 119.5 million.[6]

Absent or inefficient oversight

Even poorly executed works can go unnoticed when municipal oversight fails.

In 2020, the Santa Catarina Court of Auditors pointed out that most of the construction projects inspected in municipalities in the state did not have an engineer responsible for monitoring the execution, contrary to the law. In some cases, measurements were approved based only on photographic reports sent by the contractor itself.[7]

Suspicious payments and addenda

Another frequent distortion is the use of contract amendments and overestimated measurements.

In 2025, the TCU identified inconsistencies in the budgets for road works by the National Department of Transport Infrastructure (DNIT, Departamento Nacional de Infraestru tura de Transportes), with overestimates of quantities and prices up to ten times above market value. The audit, which was part of the Fiscobras 2025 program

and used artificial intelligence tools developed by the TCU itself, resulted in corrections to the public notices and savings of approximately R$ 264 million to the public coffers.[8]

Ignored warranty and lack of maintenance

Even after delivery, the problem continues. Many city governments do not enforce contractual guarantees when newly applied asphalt deteriorates.

In 2021, in Feira de Santana, in the state of Bahia, the local Public Prosecutor's Office filed a lawsuit against the city government and two construction companies for resurfacing work that developed potholes in less than a month. The companies had not been notified to redo the work, and the contracts were terminated without penalties.[9]

Post-construction: Completion without actual verification

Completing the cycle of inefficiency, the public works system officially closes contracts without any technical verification of quality or durability.

In 2023, for example, the Pará State Court of Auditors found that several paving contracts in Santarém were terminated without the issuance of final acceptance certificates, documents that attest that the work was properly performed and inspected. In practice, the roads were considered completed only on paper, without a final technical inspection or guarantee of compliance with the original design.

This type of formal but ineffective closure perpetuates the cycle of unfinished works and undue payments—the pavement is opened to traffic, the company receives the full contract amount, and structural problems only appear when there is no one left to take responsibility.[10]

Any of these examples could easily be multiplied. Brazil faces such deep structural and social problems that even when some state bureaucracy is created "for the good," there is still a long way to go before it becomes truly efficient. That is why it is essential to seek out successful models from which we can draw inspiration—and, in some cases, even replicate.

MEDELLÍN: A PLEASANT SURPRISE

During a trip to the city of Medellín, Colombia, I encountered situations that prompted important reflections on infrastructure and public management in Latin America. One evening, while walking through a quiet residential neighborhood—comparable to Moinhos de Vento, an affluent Porto Alegre neighborhood—I observed intense activity by workers carrying out paving work. Over the following days, the same team

maintained a steady pace, with equipment and personnel in full operation. In just four days, a 200-meter stretch of a three-lane road was completely resurfaced.

The following night, while passing through the Provenza neighborhood, one of the city's bohemian hubs, I noticed another road closed and trucks positioned for another intervention of the same nature —an example of operational efficiency that is difficult to imagine in most Brazilian cities.

On another occasion, while visiting Comuna 13—a former symbol of Colombian urban violence and now considered a pacified community—I observed an even more surprising phenomenon. Upon reaching the base of the hill, my initial impression was that it would be necessary to climb a long and exhausting ascent to the top, given the rugged geography of Medellín, located in a valley surrounded by steep slopes. However, shortly after the first flight of stairs, we discovered that access was facilitated by escalators – the so-called *"escaleras eléctricas*." The installation of this structure in a peripheral community represented an innovative urban solution, focused on inclusion and social mobility.[11]

More than just tourist curiosities, these experiences highlight significant contrasts between two countries with similar socioeconomic trajectories. Although Colombia's GDP per capita (approximately US$7,900, according to the World Bank) is lower than Brazil's (over US$10,000), certain aspects of public management in Medellín—such as the execution of public works and investment in social infrastructure—demonstrate more tangible and effective results than those observed in many Brazilian cities.

This observation leads us to a broader reflection on civic and political responsibility. Brazil, as a representative democracy, legitimately elects its leaders and legislators. Thus, the inefficiency of public policies and the precariousness of essential services cannot be attributed solely to managers—they also fall on society itself, which participates in this electoral process and often neglects to monitor the actions of its representatives. It is the duty of citizens to supervise, demand accountability, and propose continuous improvements.

Understanding the differences between the public management models of countries such as Colombia and Brazil can serve as a starting point for building more efficient, sustainable policies focused on collective well-being. Therefore, the challenge is not only to recognize the contrast, but to transform it into learning and action.

In the 1990s, Medellín was one of the most dangerous cities in the world, with homicide rates exceeding 380 per 100,000 inhabitants (in 2021, the highest rate in the world was in South Africa, with 72 per 100,000 inhabitants). Cartels had taken over the city and turned it into an open-air prison.

Inequality reigned and was visible everywhere you looked. Prosperity was evident in the wealthy neighborhoods, but in the communes and suburbs, there was not even sanitation. The state was not present where it was most needed. Urgent changes were needed, and they came from within the government.

In the 2000s, Sergio Fajardo, a technical mayor with a competent team, was elected. A mathematician by training and a former university professor, he realized from day one that the biggest problems were not economic or social, but institutional. It was

clear that a centralized, heavy, and inefficient state would not be able to handle the necessary overhaul.

Bureaucracy stifled good projects, slowing them down when they were implemented. Projects such as the Urban Development Company (EDU, Empresa de Desarrollo Urbano), responsible for directly managing construction and urban planning contracts, and the Medellín Social Housing and Habitat Institute (Isvimed), created to administer housing and land regularization, were implemented at great political cost, but for a good cause.[11,12] Created to decentralize important decisions, with clear goals and competent technical boards, they enabled the city to have projects with direct accountability and meritocratic demands, including variable income.[12]

DECENTRALIZATION: A DROP OF FREEDOM IN PUBLIC POWER

With these projects underway, citizens realized that they could have a good life in the future. Social urbanism with direct participation by society in decisions bore fruit. Voting on whether or not to have renovations in your neighborhood was a novelty almost anywhere in the world, and Colombia was no different.

With increased efficiency, the city was able to undertake some of the most important projects in its history:

- *Metrocable:* A cable car connecting the suburbs to the city center, reducing travel time from 90 minutes to 30 minutes.
- *Escaleras eléctricas:* Escalators in Comuna 13, shortening 350 steps for the community and attracting tourism. A global symbol of prosperity and innovation for the city.

These projects were all monitored in the simplest way possible—online. The population could follow them through electronic portals and knew where and when the works would take place, in addition to having their status updated.

And the results were evident in the numbers—the homicide rate fell by 80%; there was a large increase in the school enrollment rate in the slums; tax collection grew steadily. Medellín was named the most innovative city in the world in 2013 by *The Wall Street Journal.*[13]

The city, which was once a symbol of cartels, violence, and decay, was now an example of prosperity and efficiency in Latin America, with a decentralized, organized, and meritocratic state.

MERITOCRACY BEARS FRUIT

As the mayor already knew, the main changes had to be institutional, above all else. And that is what was done. With contracts focused on meritocracy and increased technical competition, the municipality rose to the next level of urban reform.

At EDU, payments became linked to the efficiency and effectiveness of the work. If it was completed ahead of schedule or with better quality or cost efficiency, bonuses were awarded. However, if there were flaws or deadlines were not met, fines were automatic.

Engineers, inspectors, and city employees began to receive progressive financial incentives for good practices and work well done. Thus, merit replaced appointment, bringing talent from the private sector to join the teams.

All these changes brought predictability, transparency, and competitiveness to the city. After the institutional reform, Medellín achieved the unthinkable: Applying liberal principles within the state, transforming bureaucracy into results-oriented management.

A BRAZILIAN MODEL IS POSSIBLE

If there is a desirable horizon, it is that of a country whose state is lighter, more efficient, and focused on the essentials. But this result cannot be achieved by decree or rupture—there is a gradual path. As long as the current state structure remains, it is possible (and necessary) to improve its delivery capacity. Brazil does not need to reinvent the state: It needs to make it work with technique, goals, and consistency. The lessons from Medellín show that more rational and results-oriented public policies can transform realities even without major institutional revolutions.

Technical autonomy for existing public works and infrastructure agencies

Each city government can grant technical autonomy to the existing public works department, separating its management from direct political appointment.

Leadership would have a fixed term, occupied by civil engineers or specialists selected based on technical criteria, with annual targets for cost, deadline, and durability.

Example: Transforming the current public works secretariat/department into an executive unit with operational autonomy, similar to the independence of the Central Bank, ensuring continuity and transparent oversight of contracts.

Payment for performance

Today, most public contracts pay by measurement, unrelated to quality or durability.

It would suffice to include variable remuneration clauses with bonuses for works delivered ahead of schedule and with a proven longer useful life, retention of part of the amount (5–10%) released only after quality inspection, and automatic penalties for failures within the warranty period.

This can be done via municipal decree or by updating the TCU/TCE tender models.

Inspection with open data

The population only supervises what it sees.

Each city government could provide a public works dashboard, integrated with the bidding system, with the status of the works (phase, cost, company, deadline); updated photos and reports; and a direct link for reporting irregularities.

Simple tools, such as Power BI or Google Data Studio, already allow this at no additional cost.

Public servant performance metrics

Just as the private sector measures productivity, the public sector can evaluate technicians and managers based on measurable results, such as average cost per meter of pavement, average execution time, and rework rate (works redone in less than a year).

This data would enable merit-based promotions and bonuses, as well as automatic audits.

Standardization and transparency in public notices

Most problems begin with poorly drafted public notices.

The federal government, through the CGU and TCU, could provide standard models for public notices that are revised annually, with minimum and maximum price limits per type of work, avoiding overpricing or unfeasible proposals.

Today, there are already Sicro and Sinapi databases; they just need to be integrated into a smart electronic public notice template.

Direct community participation

Inspired by Medellín's "social urbanism," city governments could adopt online and in-person public consultations before undertaking projects with local impact, prioritizing the most voted and explaining those that are rejected.

This increases legitimacy, reduces political resistance, and creates a sense of belonging among the population.

Automated post-construction control

After delivery, drones and sensors (available for less than R$ 10,000) can perform georeferenced technical inspections, comparing the original project with the one executed. Thus, each contract would have a public and audible "durability report"—and repeat offenders would be automatically excluded from future bids.

This approach allows us to find workable solutions by drawing on *cases* comparable to our own. It is a long road, but one well worth traveling—even if it is only a means to a larger end.

CONCLUSION

The facts presented here will no doubt yield varied interpretations, including many of a developmentalist or Keynesian bent. That tendency itself probably reflects the Brazilian bias, long accustomed to a state that claims responsibility for everything and everyone. But the deeper reading lies between the lines.

The Colombian city of Medellín emerged from sad moments in its history, when the state tried to be more than it could be, to become an example for many Brazilian cities. As we often see in our daily lives, when the government tries to take care of everything, it ends up taking care of nothing and leaves the population needy, dependent, and helpless.

When the state begins to decentralize decisions, it encourages individuals, the smallest minority on earth, to participate in urban transformations. When competitiveness is encouraged with transparency and merit-based accountability, things change.

The truth is that the state is inefficient by definition, but in order to move from a bloated state to economic liberalism, steps are needed—we know that they are not always very big—that must be taken in whatever way possible.

If Medellín has developed in an enviable way with just a few steps toward freedom, we can imagine how it can continue to develop by becoming increasingly free.

Brazil does not need to become a minimal state today, but by taking the same steps as our Latin American neighbor, prioritizing meritocracy, transparency, and competition, we can get closer and closer. A constant approach would bring Brazilians to an ever-greater awareness that the individual is and should be greater than the state, or we will continue to patch holes that will never cease to bother us.

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SECTION SUMMARY: FROM THE TEST TO THE ANSWERS

The quick test in this section is not an abstract thermometer: It translates into 12 questions what many people feel in everyday life in Brazil in 2026. The following reading starts from a common point: When rules are unstable, incentives are poor, and decisions are guided by shortcuts, the bill comes in the form of high costs, low confidence, and poor prospects. The articles propose to reverse this logic—replacing improvisation with predictability, discourse with consequence, protection with competition, and centralization with responsibility.

1) "Do the rules change too much?"

The answer lies in institutional predictability and simplification—with an emphasis on the debate about tax complexity and its effects on the "Brazil Cost."

2) "Do I pay too much tax?"

The texts connect the feeling of tax burden to a lack of focus on efficiency and, above all, to the fact that the bill does not add up without looking at the spending side.

3) "Do we live on promises of easy solutions?"

This is where the thread that ties the chapter together comes in: interest rates, populism, and fundamentals. The section reinforces that there is no "stroke of the pen" that can replace discipline and consistency.

4) "Am I dissatisfied with education?" and 5) "Does school really prepare us?"

The articles show that the problem is not just a "lack of investment," but also the design of the system, incentives, and centralization. They point to possible solutions: autonomy, transparency, meaningful goals, and freedom to experiment—including more choice for families and diversity of models.

6) "Do you feel unsafe?"

The reading suggests that security is also a consequence of institutions that function at the local level: management, priority, metrics, accountability, and participation—with concrete examples of how cities can change everyday life.

7) "Is entrepreneurship a test of patience?"

The proposed solution combines fewer barriers, more openness, and an environment where innovation can be tested, grow, and compete—instead of asking for permission at every step.

8) "Is there a lack of competition and everything is expensive?"

The chapter shows how (real) competition drives down prices, improves quality, and reduces privileges—even in highly regulated markets.

9) "Is technology too expensive?"

The texts connect the consumer's pocketbook to economic policy choices: prolonged protection, subsidies, and sectoral closure have a direct cost to buyers.

10) "Does work take too long and turn into rework?"

The answer lies in governance: contracts with clear criteria, payment for performance, transparency, and accountability—to stop treating low quality as inevitable.

11) "Are transportation and energy too costly?"

The articles point out that infrastructure improves when there are clear rules, investment, good incentives, and room for private and innovative solutions.

12) "Are development and the environment incompatible?"

The articles suggest that reconciliation depends less on *slogans* and more on applicable rules, logistical efficiency, technology, and the right incentives—because waste and improvisation are also anti-environmental.

O BRASIL TEM JEITO: THE FUTURE THAT INSPIRES

After candidly facing the scars of a Brazil that arrives in 2026 in a state of turmoil, this final section proposes the most daring move of this 30th edition: leaving the diagnosis behind and projecting the outcome. The exercise here is not one of divination, but of projecting consequences. If the country today resembles a chessboard of extreme tension, what will happen when the pieces finish moving?

"*O Brasil tem jeito*" ceases to be a phrase of hope and becomes an imperative for survival. In this section, we look three decades ahead—to 2056—not to predict tomorrow, but to denounce what today is brewing. What you will read below is both a dystopian warning and the materialization of a rescue. These texts convey the cost of silence and the stifling of freedoms, but also the clarity of a horizon in which the individual once again becomes the protagonist, confronting the reader with an inevitable choice.

In describing Brazil in 2056, we highlight the authoritarian shortcuts that must be rejected now, as well as the virtues that must be urgently restored—freedom of speech, efficiency, and the agency of the individual.

The closing of this arc transforms analysis into historical responsibility. If the past teaches us lessons and 2026 demands courage from us, the future reminds us of what is at stake: The country we will leave as our legacy and the courage we need to start rebuilding it from now on.

We invited Mônica Salgado to write this section.

Mônica Salgado

A journalist with over 25 years of experience and a postgraduate degree in marketing, Mônica was editor-in-chief of *Vogue* and ran *Glamour* for five years—under her leadership, *Glamour Brazil* was the first magazine in the world to feature bloggers on its cover in 2013. Having lived in the world of digital influence since day one, she is perfectly qualified to act with authority as an influencer and creator of Talk com Môni, the largest digital content festival focused on fashion, lifestyle, and the luxury market in Brazil.

With a multimedia soul and an engaged community (she has over 1 million followers on Instagram), she was a columnist for Vídeo Show (TV Globo) and a judge at the Cannes advertising festival in 2018, in addition to collecting stints at the country's leading newsrooms, such as Elle and Veja. In April 2024, she launched her first book, *A Vida que não Postamos* (The Life We Don't Post), a compilation of her most successful thoughts.

FAIRY TALE OF A MADHOUSE: THE BRAZIL WE REFUSE

This is a fairy tale from an asylum. The year was 2025, and the asylum was at its peak. It was a profitable business with no competition in the market. The facility kept half the population in straitjackets and a good portion medicated, numbed to the world around them, too weak to rebel, too indifferent to take risks. And then there was the asylum's board. CEO, directors, and shareholders. They charged dearly, very dearly, to save Brazil from those dangerous patients. It wasn't a business, oh no, it was a patriotic mission. And woe betide anyone who questioned it. . . compulsory hospitalization! Compliant/converted patients were rewarded. Some received Rouanet administered intravenously, a scientific experiment never seen before. Rebellious patients were forced to attend sociology classes at a federal university, listen to Caetano and Chico, watch Erika Hilton's speeches (in this case, without the possibility of turning down the volume) and watch, on a loop, Fernanda Torres and Wagner Moura shouting from atop a trio about issues that their government does not address.

The few sane citizens who managed to stay out of this madhouse tried in vain to get their peers out. The surveillance was relentless—the entire federal, civil, and military police on duty, leaving no way out. There were also those on the outside who begged: "Colleagues, post, speak up, have courage!" And they heard: "Oh, but I have contracts that prevent me, my husband didn't want me to, my family prevented me, professionally it wasn't good." And they added, in a burst of gratitude: "But, oh, thank you for saying everything I would like to say and cannot." And the moral of the story is this: We lose a lot by speaking for everyone who says they cannot speak. We expose ourselves a lot for each person who says they can't expose themselves. And the fewer people speak up, the fewer people will speak up. And those who lament the state of affairs today may see their children lamenting for the same reason.

But the world turns and, well, something magical happens. I wouldn't say it's fairy dust because this fairy tale is already too real. It's lime powder, a shovelful of lime that screams: either we bury this or it buries us. Either we suffocate the asylum board or they will suffocate us. Either we stop this nonsense talk (so restrained in theory, so ineffective in practice) of "Oh, neither extreme suits me" and accept that neutrals will be accomplices, or we will be taken over by the extreme left, which controls the public machine, captures the media, and blackmails the other powers.

It is much, much more than defending neutral language and trans women in women's sports categories. It is about a lean state, private initiative to reduce dependence on the state, state-owned companies in the black, a responsible and efficient public machine, transparent and measurable social programs, education with more math and less indoctrination, and so forth. Only then will we come close to a happy ending in

2056. May this fairy tale from the asylum become a tale of witches from the past. May it become, over time, a realistic documentary account of what worked. Justice for all. Jobs in advertising for all. Punishment for crimes for all. Space in the press for all. The Rouanet Law for all. Accountability on fundamental issues—forest fires, femicide, etc.—for all. Amnesty for those who have been granted amnesty. And so forth. . .

There are absolute values that I hope 2056 will bring us: freedom of speech for all. Including and especially for those with whom I disagree.

THE BRAZIL THAT FOUND ITS WAY

Author unknown.
Brazil, 2056.

I sit down today to write these lines and feel a deep strangeness as I reread the reports from thirty years ago. For my generation, the idea that Brazil was once described as a “madhouse” seems like literary exaggeration, a distant dystopia. But the archives do not lie: There was a time when freedom was a risk, and prosperity a sin.

Today, in 2056, life has the serenity of well-oiled machinery. We no longer wake up with the weight of the State on our shoulders. I remember hearing my grandfather talk about the “compulsory hospitalizations” of thought and how success was monitored. Today, success is celebrated. The individual has once again become the unit of measurement for progress.

This morning, I opened my small biotechnology company. I didn’t need stamps, favors, or months of waiting. The system is invisible and efficient, as it should be. My taxes? They are clear, fair, and I see every penny reflected in the safety of the streets and the excellence of the technical education of my employees—who have learned to think for themselves, rather than repeating slogans from three decades ago.

What enchants me most about this “Brazil that found its way” is not only material wealth, but intellectual peace. Yesterday, in a café, I watched a heated discussion about politics. On one side, an enthusiast of full artificial intelligence; on the other, a conservative skeptic. In the end, they shook hands and went on with their lives. No one called the police. No one was canceled.

No one feared losing their job for disagreeing. Freedom of speech is no longer a privilege granted; it is the air we breathe.

I look at the horizon and realize that the "way" Brazil took was not a miracle, but a choice. Back in 2026, we chose that individual responsibility was worth more than state guardianship. We chose work over subsidies, and truth over narrative.

They said we were the country of the future. Well, the future has arrived. And for the first time in our history, it is not an empty promise. It is the solid ground beneath our feet. It is, finally, freedom in all its luminous and productive fullness.

EPILOGUE – THE FUTURE BEGINS NOW

We have reached the end of our journey through three decades of transformations, advances and setbacks, challenges that became opportunities, but also lessons that cannot be ignored. Looking back on the path we have traveled, we see that Brazil's history is not linear: It is a composition of choices made by our people who, despite all their virtues, still carry vices that prevent us from advancing as we would like. There is much to be done, and what keeps us going is the belief that Brazilians and Brazil can build a more prosperous future.

Fórum da Liberdade, which has been a meeting point for those who believe in the power of well-grounded ideas, invites us to reflect on the real possibility of a different future. For thirty years, the book *Pensamentos Liberais* has been a compilation of diagnoses and solutions, but more than that, a framework of ideals, because, as Ludwig von Mises would say, "Ideas, and only ideas, can light the darkness." Based on this belief, we reaffirm that Brazil can work. We are a country of vast opportunities and a people with values that need to be rescued and strengthened, with less tolerance for transgressions and "workarounds." All of this begins with ourselves. With the right principles guiding the way, we can follow a path to prosperity.

The duality presented at the end of the work represents the choices we will have and the consequences of how we will lead our society from now on. We are convinced that there is virtue in the Brazilian people and that the only way to avoid the madhouse is to commit to the right values. Politics, economics, and the entire social context are nothing more than a reflection of who we are and what we have built as a people, and recognizing this means understanding that any change begins with each one of us. To follow the path of freedom and prosperity, we must pursue with commitment the principles that define us: individual freedom and responsibility; economic freedom and respect for private property; and respect for institutions and the rule of law.

Over the years, Brazilians have accepted many distortions of their values. How can a hard-working, creative, and entrepreneurial people accept the patrimonialism and corporatism established in our society? Why has the famous "*jeitinho brasileiro*" come to refer to transgression and the pursuit of personal gain? It is past time for us to solidify our virtues and, through solid and profound ideals, change the course of the

country. The path will have obstacles, but now is the time to act. The future begins now. What we do with the opportunities before us will define the Brazil we leave for future generations.

As citizens, leaders, and thinkers, we must rise up and work to transform the ideas we defend into concrete actions. Brazil, like a living organism, needs each one of us to reach its full potential. If we want the statement "Brazil has a way" to be more than a slogan, it must be our daily mission, our commitment to the future. Brazil does indeed have a way forward, but this way forward will only be possible if we act now with clarity, courage, and responsibility.

Hugo de Oliveira Muller
Vice President at the Instituto de Estudos Empresariais (IEE)


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