

Ameryka Łacińska, 3 (117) 2022
ISSN 1506-8900; e-ISSN 2081-1152
CC-BY-SA

Ladislau Dowbor
Catholic University of Sao Paulo, Brazil
e-mail: ladislau@dowbor.org

Building Brazil back *Odbudowywanie Brazylii*

Artykuł nadesłany: 2 listopada 2022
Wersja ostateczna: 7 listopada 2022
DOI: 10.7311/20811152.2022.117.02

Abstract: In this paper, we present an overview of the main lines of action in order to reshape the society in Brazil so that it is economically viable, socially just and environmentally sustainable. The proposals are divided into four pillars: 1) productive inclusion, focusing in particular on our main challenge, inequality; 2) the financial mechanisms, focusing on the necessary financial policy measures so that the resources serve development; 3) modernization of management and decision-making processes that are currently inoperative, in the sense of decentralization and community empowerment, taking advantage of network connectivity; 4) rethinking the political base of support to the new dynamics of inclusive development.

Keywords: Brazil, productive inclusion, financing policies, management rationalization, democratization.

Streszczenie: W niniejszym artykule przedstawiamy przegląd głównych kierunków działań niezbędnych, aby w Brazylii społeczeństwo posiadało rentowny system gospodarczy, ale także przy tym sprawiedliwy społecznie i zrównoważony środowiskowo. Propozycje podzielono na cztery filary: 1) integracja produkcyjna, skupiając się w szczególności na naszym głównym wyzwaniu, jakim jest nierówność; 2) mechanizmy finansowe, skupiające się na niezbędnych środkach polityki finansowej, tak aby zasoby służyły rozwojowi; 3) modernizacja zarządzania, obecnie nie funkcjonujących procesów decyzyjnych, w sensie decentralizacji i upodmiotowienia społeczności, z wykorzystaniem łączności sieciowej; 4) przemyślenie politycznych podstaw poparcia dla nowej dynamiki inkluzywnego rozwoju.

Słowa kluczowe: Brazylia, inkluzja produkcyjna, polityki finansowania, racjonalizacja zarządzania, demokratyzacja.

With the election of Luiz Inácio Lula da Silva to the Presidency, new hopes are raised, but with the disastrous consequences of almost a decade of far-right politics, bringing Brazil back to an inclusive development and effective democracy is a huge challenge.¹

The election of President Luis Inácio Lula da Silva is filling Brazil with hope. It is an impressive come-back, after so many accusations, imprisonment, the more shocking since his two terms of government, from 2003 to 2010, were a huge success in terms of economic growth, social progress and protection of the environment. Can this be repeated?² Hope is certainly back, but the Brazilian oligarchy, largely dependent on global corporate power, is the same that brought the inclusive development process down in the 2016 coup. Latin-American regimes have this characteristic: we only can have democracy if we don't use it. Scandalous inequality leads us to alternate phases, where conservative regimes aggravate income and wealth concentration, generating social dramas and economic stagnation, while progressive governments come under heavy attack leading to democratic breakdown. In a way, they don't take the necessary measures when they are in government, and don't let them be taken when they are side-lined.

Lula is a powerful power-broker, his capacity to bring people and interests together is impressive. But the very dependence of Brazil on one man shows how fragile our democracy is. At a certain height of inequality, the social gulf makes democracy a hollow shell. How far will we be able to go in the democratization of the country? How much sovereignty will global interests in the country tolerate? We need a society that is economically viable, but also socially just and environmentally sustainable. It is the triple bottom-line. In this paper, we present an overview of the main lines of action to make this possible. We group the proposals into four pillars: 1) productive inclusion, focusing in particular on our main challenge, inequality; 2) the financial mechanisms, focusing on the necessary financial policy measures so that the resources serve development; 3) modernization of management, of decision-making processes that are currently inoperative, in the sense of decentralization and community empowerment, taking advantage of network connectivity; 4) and rethinking the political base of support to the new dynamics of inclusive development, in particular articulating the inequalities of income,

¹ This paper is largely based on a research published in Brazil as *Resgatar a Função Social da Economia*, (Dowbor, 2022b).

² The achievements have been largely documented (Dowbor & Cezar, 2022).

wealth, but also regional, generations, race, gender, sexuality, seeking the rescue of human dignity for society as a whole: it is about the political-cultural dimension of the transformations that lie ahead³.

1. Productive inclusion

Productive inclusion as a strategic pillar is directly linked to the immense underutilization of production factors. Lamenting public deficit when the financial source of public revenue, which is the country's productive base, has been paralyzed, makes no sense. The recent years of autocratic financial power weakened the population's consumption power, reduced access to social policies and investments in infrastructure. This has increased unemployment, public debt, and brought back hunger on a large scale. The result is general paralysis. The proposals are aimed at boosting the economy from the bottom up, generating a virtuous cycle of development: income, social policies, investments in infrastructure and public employment policies.

1.1. Ensure income at the base of society

In Brazil in 2022 we have 33 million people going hungry, of which about 20% are children. And we have 125 million people in a situation of food insecurity. If we take grain alone, in the last crop we produced 3.7 kilos per person per day. But food is exported, because with the Kandir Law (1996), which exempts exports from taxes, and the appreciation of the dollar, exporting yields more for commodity traders than selling in the local market. But there is also a lack of housing – a deficit of around 6 million units – and other basic goods and services, while companies operate with an idle capacity between 25% and 30%, simply because of weak demand. This understanding is central to the design of a development strategy, as we have both unmet needs and underutilization of capacity.

Placing resources at the base of society, through a basic income, raising the minimum wage, rebuilding social security, guaranteeing minimum prices for small farmers – we know well how to ensure a greater flow of income to the base of society – generates well-being for families, stimulates

³ We detail proposals to reorient our development in the book *O Pão Nosso de Cada Dia*, in an expanded edition of 2021 (Dowbor, 2021).

companies, expands employment and does not generate inflation, as it did not during the productive inclusion phase from 2003 to 2013 in Brazil, nor in other distributive experiences such as the American New Deal or the Welfare State in many countries. And a stimulated economy raises returns to the State.

Some things cannot be lacking for anyone: it is a crime for children and adults to go hungry when there is food, for a mother not to be able to pay for medication for her children, people living in the streets in sub-human situations. The Bolsa Família was an immense progress, it generated efficient forms of organization and control, but we cannot keep families that sometimes do not receive, sometimes receive 600 BRL as in 2020, or about 300 with differences, or even 400 BRL, according to flows and political backlashes: the basics cannot be lacking for anyone, and universal access to a minimum is a matter of good economic sense, but also of a feeling of security and tranquility essential for the lives of families. We have the financial resources – we will come back to this further on – we have developed all the necessary transfer and control technologies, and we know that it is politically right and humanly just to ensure a stable, predictable flow of income to the base of society. In particular, we know that in a country with immense underused resources, boosting the economy through aggregate demand is fundamental, and financial resources return with a surplus. To suggest that if people have a basic income they will avoid working is an intolerable prejudice, even belied by the facts: it is a floor, which allows people to build their own lives⁴.

1.2. Ensuring investments in social policies⁵

Family wellbeing does not depend only on money in your pocket. As an order of magnitude, 60% of the families' economic balance depends on being able to pay bills and purchases, but the other 40% depends on access to collective consumption goods: we need security, but police stations cannot be bought. You don't buy schools, hospitals, parks, clean rivers, tree-lined streets and so many essential services for a dignified life. The *Teto de Gastos*⁶ law

⁴ Eduardo Suplicy's works are very enlightening: more than left-wing politics, it is about human decency, as well as economic common sense. While we discuss politics, let the children eat. The study *Basic Income and the Left*, by Philippe Van Parijs (2018), systematizes the arguments.

⁵ We here refer to social services in a broader vision, including health, education, security, but also popular housing and other measures that result in social and economic inclusion (Dowbor, 2021).

⁶ "Expenditures ceiling". As one of the first measures after the Coup, in 2016, the new government changed the Constitution in order to freeze investment in social policies (Education, Health, Security and others). The resources were instead redirected towards higher interest payments on the public debt, mainly held by banks.

and other limitations on the provision of social policies with universal free access constitute an economic nonsense. Privatizations in the health area result in the disease industry (see the costs and inefficiency of private health plans), in education they generate elitism and an authentic diploma industry, in security they generate militias, as we see both in Brazil and the United States.

Instead of ideological discourses about ‘minimal state’ and ‘spending reduction’, we have to rescue the public dimension and universal access to services that are, after all, absolutely essential, such as health, education, security, and, of course, environmental sustainability. With the exception of the United States, developed countries ensure public, free and universal access simply because it is incomparably less bureaucratic and more efficient, as we can see in the comparison of health services between Canada and the United States.

For Brazil, this rescue of social policies through the State is particularly important, insofar as public, free and universal access constitutes a powerful tool for reducing inequalities, our main structural challenge. And the systemic impacts are immense, as a healthier population, with increasingly higher levels of education and scientific knowledge, with more access to culture, and sustainable policies, will not only have a better quality of life, but will also become more productive. Qualifying social policies as “expenditures”, and placing a ceiling, while resources transferred to financial groups are qualified as ‘profits and dividends’ and tax-exempt, is simply absurd in economic terms, yet understandable in terms of the interests of financial corporations that drain the country. Social policies are investments of prime importance for our future.

1.3. Expanding investments in infrastructure

Free and universal access to social policies is essential for the well-being of families, which is the aim of development, but also for the productivity of the entire production system: healthy, well-educated workforce, wealth of cultural activities, security, better social balances are essential for a dynamic country-building environment. But equally important are investments in infrastructure, which both improve the comfort of families – with paved streets, public transport systems, internet infrastructure, access to cheap energy, water supply and sewage treatment systems, for example – and improve the productivity of companies. In this sense, the use of public resources can be greatly expanded, as it improves social productivity and ensures a return on investment. What is essential, of course, is to invest in a planned

manner in order to ensure increased systemic productivity, not just mine-to-port railways for iron-ore export. It's productive investment, not "expenditure" as the austerity theories present it.

The role of the State is fundamental, as evidenced by investments in infrastructure both in Europe and in China, South Korea and other countries: integrated and articulated networks of transport, communications, energy and water and sanitation infrastructures ensure savings for productive activities. The options guided only by private interests, as in the case of transport in Brazil, have led to the transport of people in cities being largely individual, while cargo essentially depends on road and truck, and the intercity transport relies heavily on planes – in all cases the least efficient options compared to mass public transport, cabotage and freight rail networks, and high-speed trains for regional intercity mobility. In other words, with planning, there are immense gains in terms of systemic productivity to be recovered.

Brazil has both the financial resources and the technical expertise, but investment has been taken over by private corporations, with little public control. The reorganization of infrastructure in the country can be the source of a set of labor-intensive initiatives, policies that generate at the same time better systemic productivity through the quality of infrastructure, income for families through the jobs generated in the construction of infrastructures, and dynamization of the aggregate demand at the base of society.

1.4. Public employment policies

The immense mass of underutilized human resources constitutes a challenge and an opportunity: as Celso Furtado suggested, when a person's production is zero, any activity is profit. Brazil has a population of 215 million, but only 39 million formal private jobs. If we add public employment, 12 million, we reach 51 million. But informal jobs, earning an average 50% of formal employment, reached 40 million. Adding 15 million unemployed and 6 million who just gave up ("*desalentados*"), we are speaking of over half the official work-force of 106 million. Considering the dimensions of underutilization of labor in Brazil, including many technicians with higher education, waiting for "the markets" to solve it makes no sense, particularly considering the penetration of new technologies in production processes. The Biden Government is studying the *Public Employment Program*, India has municipal labor-intensive public project programs (*National Rural Employment*

Guarantee Act, 2005) that guarantee 100 days of paid employment per year. Basic sanitation works, for example, which are usually labor intensive, generate savings in the health area that are on the order of 4 times the cost of sanitation: they are investments that generate employment and multiply resources.

National and international examples abound, the drama of unemployment, informality and the underutilization of human resources, with all the suffering they generate, can must be transformed into productivity: they are not expenses, they are investments. We need public employment policies, with the corresponding forms of organization, in particular municipal initiatives, since the workforce is local. The 5,570 municipalities in the country can be transformed into construction sites, with infrastructure, urban maintenance, afforestation, and so many initiatives that increase the systemic productivity of the territory⁷.

And there are countless opportunities for job creation by ensuring microcredit and technology support for small producers, local government purchases, price guarantees, improvement of transport and communications infrastructure, generalization of internet access and other initiatives that ensure better conditions for business initiative, as seen in so many undertakings in the 2003-2014 decade, for example with the productive and guided microcredit program of public banks. It is about freeing productive capacities and potential immobilized within the framework of the absurd “austerity” policies, in which the country was paralyzed in the name of fiscal responsibility, while generating unproductive financial fortunes.

This first pillar, which we can summarize as productive inclusion, follows the general orientation of stimulating the economy from the bottom-up, expanding the demand for goods and services for individual consumption, access to goods and services for collective consumption such as health, education and security, investments in infrastructure that improve overall productivity, expanding infrastructure and tapping into the immense underutilized potential of manpower. All of this represents investments on the part of the State, but by enhancing the use of idle resources, it generates a return. Demand

⁷ See in particular the research report *Política Nacional de Apoio ao Desenvolvimento Local* (Instituto Cidadania, 2009), with contributions from Márcio Pochmann, Pedro Paulo Martone Branco, Juarez de Paula, Paulo Vannuchi, Sílvio Caccia Bava and Ladislau Dowbor. See also (Tcherneva, 2020).

at the base of society stimulates production and business investment, access to public goods for collective consumption reduces costs through economies of scale and organization, better infrastructures reduce production costs in all sectors, while better use of the labor force generalizes both the well-being of families and systemic productivity. It's a win-win process.

2. Financing policies

The productive inclusion policy involves the intelligent use of money, which in economics we call the rational allocation of resources. Brazil is not a poor country, it is a country where financial resources are diverted to unproductive activities, natural resources to export (without paying taxes), public goods to international private groups: it is the great corporate spree that characterizes post-2014 politics. Our GDP, the value of goods and services produced in 2021, \$1.7 trillion, for a population of 215 million inhabitants, represents about \$2.6 thousand per month per four-member family. What we produce is quite sufficient to ensure a dignified life for everyone, with a moderate reduction of inequality. With the present tax burden of around 34% of GDP, the State has sufficient resources to finance the necessary policies. The problems are in the profound distortion of the incidence of the tax burden; the generalized usury in the credit system; and the use of exported natural resources for financial fortunes instead of funding development; and the fiscal policy that privileges financial groups and intermediaries that drain the economy instead of promoting it. The four main necessary shifts refer to tax policy, credit policy, the productive use of natural resources exports, and fiscal policy. That is, where the money comes from, how it is brokered, how primary exports can generate funds, and what the money productive for sustainable development.

2.1. Tax policy

Tax policy in Brazil is unfair, unproductive and inefficient. The debates in Congress are endless because it is in the hands of white and rich men, who organize the collection and use of taxes for their own benefit. The bottom line is that functioning countries use taxes to redistribute, better balancing society. In Brazil taxation is used to concentrate even more. We need progressive, not regressive, taxation. Half of our taxes come from indirect taxes, built into the prices of the products we buy. As the mass of the population spends

almost everything they earn on purchases, the country's poor pay proportionately much more. We are one of the few countries with this nonsense. The income tax plays a small role, when it should be a tool to reduce inequalities: a maximum rate of 27.5% makes me as a teacher pay the same as the rich. Besides, since 1995, distributed profits and dividends have been tax-exempt, deepening inequalities. As we saw above, the commodity exports are also exempt. But we all need public services, social policies, infrastructure. The rich who say that "tax evasion is not theft" like to have their children study in public universities, to live with paved streets. Obligations must be balanced. The ethical principle of reducing injustice is fundamental.

In this country where structural inequality is the main obstacle to development, we must also think about taxes in terms of the productivity of taxation itself. The ITR, Rural Land Tax, is practically not charged, which means that we have immense areas of idle land, in the hands of those who neither use nor let it be used, waiting only for the long-term appreciation that results from the opening of roads, of demographic pressure and other factors. Charging a tax on idle land encourages landowners to cultivate it, or sell it to anyone who will cultivate it. The idle capital needs taxes so that it is stimulated to return to production. This also applies to the tax on profits and dividends (exempt since 1995), this absurdity that generates a universe of unproductive financial investments. It also applies to the Kandir Law, which exempts production destined for export from taxes. The propaganda slogan of the time, 1996, was "exporting is what is important" (*Exportar é o que Importa*), a smart play of words but a tragic blunder. Today, the only productive sector that works is exporting primary commodities, generating a technologically advanced neocolonialism, disastrous for the country: it creates few jobs, but many environmental disasters, and decapitalizes the country instead of using natural resources to finance industrial development. The systemic result is generalization of unproductive financial fortunes, in particular international ones, as well as environmental disasters and reprimarization of the economy⁸.

A third deformation of the tax system is the extreme concentration of resources in Brasília, with very limited access to resources by state governments and by the country's 5,570 municipalities. With 87% of urban popu-

⁸ "Reprimarização" has been widely used in Brazil to characterize de-industrialization on the one hand, and primary commodity exports on the other. This concerns iron ore, crude oil, soy, wood from the Amazon, beef and similar commodities (Dowbor, 2019: Chapter 7).

lation, practically all the municipalities in the country presently have urban centers that allow an effective decentralization of access to resources, for differentiated use depending on local realities. Local authorities in Sweden manage around 70% of public resources, in Brazil we are on the order of less than 20%, with mayors traveling to Brasília to seek favors from central government, turning politics into permanent bargaining. It is important to remember that the integrated computerized system makes it possible today to follow the flows of resources, and that the smaller municipalities have been organizing into inter-municipal consortia that ensure another level of efficiency. The general principle that has characterized the systems that work is that money is used more efficiently when the decision on its use is closer to the communities concerned. China, according to Kroeber, is even more decentralized than Sweden: it has a politically strong central government, but initiatives and organization are local (Kroeber, 2016; cf. Lakey, 2017).

The current tax policy is simply scandalous, and paralyzes the country. It is unfair, unproductive and inefficient. The argument is made that making the rich pay taxes will make them take the money abroad. They don't have to run away: tax evasion today is already on the order of 8% of GDP, and we have hundreds of billions of dollars in tax havens. We need to rescue the tax policy in the country, in a fair and honest way⁹.

2.2. Credit policy

The money that is in the banks is ours, it belongs to the population and the companies, not to the banks, institutions that can be private but receive an authorization from the Central Bank, a charter that authorizes them to work with the money of third parties. Even the money that finances the public debt is our money, from our taxes. The essential thing is that the financial intermediaries who manage our resources must do so in a way that is useful to society. In Brazil, the financial intermediation system, instead of providing intermediation services and promoting the economy, has become a system of financial drains, blocking household consumption, business investment, and public policies through the public debt service. I present the mechanisms in detail in my book *The Age of Unproductive Capital* (Dowbor, 2019).

⁹ The best study and systematization of well-quantified proposals, *A Reforma Tributária Necessária*, was coordinated by Eduardo Fagnani, (2018), with the participation of about forty researchers. See also Fenafisco (2020).

The essential thing, in economic terms, is that intermediating other people's money, or issuing papers and money in the form of debt, is more profitable than investing in production. When interest rates, and we have to include the numerous fees and "reciprocities" charged, are higher than the income that they guarantee to borrowers, the result is people and companies permanently indebted, who "roll over" the debt without being able to get out of the cycle. A simple reference point would be to use the average interest charged in OECD countries. To have an order of magnitude, interest on the revolving card in Canada is 11% per year, while in Brazil it is around 380% in mid-2022, for an inflation of 7%. The policy adopted by President Dilma in 2013, which was to use public banks to offer credit to the economy with adequate interest rates, must be resumed, thus forcing the rupture of the cartel of large banks and the loan sharking that it allows. This also involves installment plans in commerce, which in Brazil generate fabulous profits for large commercial networks that have become more financiers than commercial intermediaries. Commercial credit is in the order of 80%¹⁰.

The measures, here too, are known, the Central Bank must once again play a regulatory role in the credit system, banks must once again serve the society whose money they manage, and not just serve themselves. Adopting rates close to the OECD average not only would ensure this functionality, but would also prevent speculative flows with the external financial market. The limitations are political, not technical or financial. Both national and international shareholders got used to draining the Brazilian economy, generating unproductive fortunes in astonishing volumes. Any attempt to change the financial rentism system created in the 1990s generates violent opposition among the elites, as seen with the reduction of interest rates and taxation of speculative profits (*carry trade*) adopted by the Dilma government in 2013, and which originated the coup.

Much of the impunity with which financial groups drain the economy results from the population's lack of understanding of financial mechanisms, as can be seen with the absurdity of raising the Selic rate on the pretext of fighting inflation, a meaningless justification in an inflation that does not result from high demand, or with the presentation of interest per month, when the rest of the world works with annual rates. The financial system needs to become

¹⁰ The effective interest rates charged in Brazil can be found in ANEFAC – Associação Nacional de Executivos de Finanças, Administração e Contábeis (ANEFAC, 2022).

transparent, and the Central Bank has an important role to play that needs to be rescued. The commercial media blame borrowers, saying they need financial education: no financial education will abolish the loan shark cartel.

2.3. Financial use of primary goods exports

Brazil has immense natural wealth, in energy, water, minerals and agricultural soil. These riches must be used to finance the balanced development of the country. What we have seen in the most recent phase is a radical reprimarization of the economy, with de-industrialization, and loss of small and medium-sized enterprises and family farming linked to the internal market. With very advanced technologies, and under the financial control of international commodity traders, the export of primary goods has become the sector that has grown the most in the Brazilian economy.

Commodity production creates environmental disasters, generates few jobs, and has limited development induction effects, mainly enriching shareholders and commercial intermediaries. Natural wealth is gradually exhausted, by the reduction of mineral reserves and by the weakening of soils and destruction of forest cover. Primary exports are only justified by using the resources generated to get out of dependence on them. This involves the enrichment of the production chain, both upstream, with more local inputs, (scientific-technological basis, equipment, infrastructure) and downstream, for example soybean oil and other industrialized sub-products instead of exporting the crude product.

On the other hand, as these are essentially natural resources, which belong to the nation, such as oil, instead of being privatized and used to enrich international traders and their internal associates, they should contribute to financing the balanced development of the country, with more science and technology, education, industry and other sectors that allow to boost overall development. Privatization causes the profits of primary export activities to enrich international and national shareholders – privatization here means denationalization – while tax exemption (Kandir Law) causes resources to contribute little to financing public policies. What is needed is using the primary sector as leverage to boost more technologically advanced sectors and more related to the well-being of the country. What we have today is essentially a drain. In the case of widespread hunger, this is a scandal.

2.4. Rational allocation of resources: fiscal policy

The country's main problem, in terms of financing, is not the lack of resources, but their allocation that favors unproductive financial gains instead of promoting the economy. As we have seen, part of the dynamics to be corrected is the tax policy, exempting consumption and productive activities and levying taxes on large fortunes and unproductive uses. Similarly, the credit policy should favor the financing of productive activities. Oil and other natural resources exports should be used to fund industrialization, social policies and infrastructure. And fiscal policy aims to rationalize the use of public money. Overall, public funding must seek the multiplier effects of resources. As we have seen above, ensuring a basic income generates a higher return than what the government passes on to the base of society. Financing basic sanitation generates savings by reducing disease costs. Financing support for family farming ensures productive effects that also multiply resources. Social security policies generate well-being and demand at the base of society.

Brazil acquired, through Caixa Econômica Federal and Banco do Brasil, but also from regional public banks, a great capacity for productive management of financial resources. As of 2015, the priority became the increase in the banks' profit, and consequently of the shareholders, and not the multiplier effect of productive activities funding. In general terms, instead of pointing out the deficit and proposing a reduction in "expenditure", in the name of "austerity", the government needs to direct resources to boost the underutilized productive base, reducing the deficit through the expansion of the productive base. This involves prioritizing the productive inclusion that we saw above, with basic income, expansion of social policies and investments in infrastructure and employment.

The basic problem is not "where" the resources come from, which is basically from taxes, but can also be from the conversion of foreign exchange reserves, debt or even public monetary issuance, but "where" they go: a good investment generates returns and balances the accounts. The widespread looting of public resources that followed the reversal of the inclusive development phase (2003-2013) generated the situation in the country in 2022, with economic paralysis, high public deficit, growing inflation, absurd interest rates, giving away natural resources, including oil, so important to finance develop-

ment. The convergence of the absurdities of regressive taxation, of usury in credit policies, privatization and a fiscal policy that privileges financial corporations instead of promoting the economy, generates a catastrophe with simultaneously economic, environmental, political and social dimensions.

3. Management rationalization: the decision-making process

We have the financial and technological resources, we know what must be done – at a global level, it is about seeking an economically viable, socially fair and environmentally sustainable society – and we even have the details in the 17 Sustainable Development Goals, 169 targets and over 230 indicators. We know our dramas, hunger, inadequacies and inequality in education, health dramas, environmental destruction, financial chaos and so many other challenges we face. Systematizing, quantifying and publicizing our problems is fundamental, but when we have a convergence of so many critical dynamics, we need to think not only about the dramas, but about the management processes that generate them, or that prevent them from being faced. With absurd ideological simplifications such as waiting for the “markets”, minimal state, privatization, diversion of public money to debt service, and above all the generalized prioritization of financial gains, we have a crisis of the problem-solving process itself. The institutional helplessness that plagues the country must be faced, generating the necessary governance, streamlining the decision-making process of society (Dowbor, 2022a).

3.1. The State, corporate and civil society balance

Markets alone present no viable solution. While in another era we had countless companies that faced each other in the market to provide adequate services, today we have corporate giants, platforms that control finances, communications, information and even private behavior and have decisive weight in parliament, in the executive and in a large part of the judiciary. The private appropriation of public policies is a central challenge, and it means that we have lost both the regulatory power of free business competition – which exists only in areas of small and medium-sized companies – as well as the medium and long-term planning systems that played and still play an important role in the European Union, in China and other countries. The globalized and

financialized world has lost its two main regulatory mechanisms, business competition and economic and social planning. And we need both, besides rescuing the participation of civil society organizations. It is for society that both the State and businesses are supposed to work for.

We are societies that are too complex to be managed by ideological simplifications such as neoliberalism. In the aforementioned study *O Pão Nosso de Cada Dia* (our daily bread), we proposed a set of solutions based not on ideological Manichaeism, but on monitoring what works, under what conditions and with what forms of organization, in the most diverse sectors: producing cars, T-shirts and tomatoes can be regulated within the framework of private property and with market mechanisms, but large infrastructures such as transport, energy, communications and water and sanitation need a systemic vision, long-term planning and decisive participation by the State. Another vital area of the economy, which today has become dominant, which are intermediation services such as finance, commodity trading, legal intermediation and the like – the toll collectors of any economic activity – need regulatory systems and state-owned sectors to reduce the force of cartelization. Nowadays the economy is dominated by intermediaries who “facilitate”, but have become costly toll-collectors. And a fourth area that has outgrown the others, that of social policies, with health – this sector alone is reaching 20% of US GDP – but also education, security and the like, are most efficient where ensured in the form of public policies, free of charge and with universal access.

In other words, when we look at how and where different areas of activity function properly, education in Finland, urban policies in Denmark, the financial system in China, Germany and Sweden, the healthcare system in Great Britain, the conclusion we have reached is that it is not a matter of the maximum or minimum State, but of the State directing the sectors in which the public and systemic vision are essential. Common consumption goods producers can regulate themselves by market mechanisms, within a legal framework that controls the formation of monopolies and environmental impacts. But large infrastructure networks need a long-term vision, systemic objectives and public planning, with strong State participation. Financial intermediation and communication platforms need to be strongly confronted with regulation, as they naturally tend to form demand monopolies. Social policies require decentralized and participatory forms of management, since they are capillary

networks of services that must reach every home, every child, and every community, with an important role of civil society participation.

In other words, instead of ideological simplifications, we need to opt for the forms of organization and decision-making processes that work best according to the different areas of activity. We can call this mixed and articulated management systems. It is not about ideological simplifications, but the application of common sense. Privatizing Petrobras and subjecting the country to the fluctuations of international markets, when we have the raw material and the complete technical chain in our hands, is understandable by the interests involved, but it is a disaster for the country, and an idiocy in terms of management. Corporate control of public policies works for the corporations, not for the country, not for society. Public institutions must be built back in a more balanced decision-making process.

3.2. Decentralized network management

Updated forms of management have shifted in both the public and private sectors. Many large private corporations with units in numerous countries and in various sectors work with decentralized systems, articulated in networks, in order to optimize the decision-making process. In the case of Brazil, with its territorial dimension, regional diversity and 5,570 municipalities, the current centralized system, in which the allocation of resources ends up being essentially in Brasília, is irrational both for the base of society, which does not have the resources corresponding to their role, and for the central government, mired in micro negotiations. The study by Marcélio Uchôa, *What municipal public managers need to know* (2021), shows in particular the impotence of small and medium-sized municipalities. The decentralization of resources, accompanied by network management, will allow the different levels of government to monitor in detail the financial flows and achievements, naturally depending on ensuring widespread digital inclusion, a precondition for any rational management of resources, with due controls, in this age of virtual money.

For municipalities, as we have seen above regarding the underutilization of management capacities, the decentralization of resources is essential, the possibility of organizing proximity finance, with municipal public banks (as in Germany, China and in numerous other cases), community development banks, and evidently an increase in predictable public transfers, allowing for adequate local planning. The 1988 Constitution is unbalanced in this plan,

with more charges being transferred to the municipalities, but not the corresponding resources, requiring a reformulated federative pact. It is important to reiterate that the computerized network system allows the set of flows to be monitored at the various levels of government, while ensuring the necessary control and management flexibility depending on the diversity of municipalities and regions. The investigation report *Política Nacional de Apoio ao Desenvolvimento Local* (National Policy to Support Local Development) systematizes in 8 sectors and 89 proposals what could be a rationalization of the decision-making process at the level of the basic unit of public management that is the municipality (Instituto Cidadania, 2009).

3.3. Digital inclusion

With the shift of so many activities to the immaterial economy, good quality digital inclusion, the generalized connectivity of all economic and social agents, and even of individuals, have become fundamental. In terms of cost-benefit, digital inclusion is the initiative with the greatest multiplier effect, as it radically increases the options available to individuals, corporations, civil society organizations and the various levels of public administration. In Brazil, it is a widely underused resource, as can be seen in the reports of the *Comité Gestor da Internet* (CGI), with a quarter of the population excluded, and a limited portion of the population with full quality access. Exclusion, or only partial digital inclusion, deepens inequality: how can children study without internet access?

Although it is associated with cutting-edge economic activities, today digital inclusion and access to technologies in general are vital for any small producer. The small farmer needs artificial insemination, soil analysis, meteorological information, price information, consultation with potential customers: connectivity breaks isolation, it even makes it possible to break the tolls of middlemen by facilitating the sale of production to the final consumer, reducing overhead costs in the economy. It is important to remember that the transport network makes it possible to articulate the economic agents in the territory, but it involves very high costs. Network connectivity has very low costs, as electromagnetic waves come from nature, a natural vehicle for articulating all activities. The prices we pay for access in Brazil do not result from costs, but from the high profits of oligopolies that charge tolls on transmission channels that belong to nature. As with water and energy supply networks,

high-level and widespread digital inclusion can be provided as a public service, essentially covering costs.

Local digital initiatives such as Piraí Digital, which ensured public internet access throughout the municipal territory, with very low costs, show how an economy can be stimulated by freeing up access to communication, knowledge, networking in all areas of activity. The experiences of Kenya and countless others show how direct contact between economic agents makes it possible to escape the costs imposed by banks and other financial or commercial intermediaries. In the age of the knowledge economy and society, the delay that Brazil is showing in the technical base and in the process of digital inclusion is catastrophic. The refusal of Minister Paulo Guedes, in 2021, to authorize the financing of 3.5 billion reais to ensure internet access in public schools shows a radical misunderstanding of the priorities and scientific-technological dimensions of development. In fact, with knowledge becoming the main factor of production in modern economies, ensuring performing systems of access for all has become essential.

3.4. The potential of collaborative platforms

General connectivity opens new opportunities for the organization of participatory community management, through local collaboration platforms. While global platforms like Uber drain a huge part of what drivers earn, in Araraquara, for example, a local platform, managed by the municipality, ensures drivers earn 93% of what is paid to them. The Piraí example mentioned above ensures local businesses, public services and individuals are all connected, allowing for numerous forms of collaboration, without having to depend on the platform monopolies. In São Paulo, the Casa Verde district organized a collaborative platform that ensures proximity solutions for production, culture, community organizations (Camilher, 2021). This inversion of the global platforms rent extracting and trading in personal information to generate marketing fortunes is essential, and allows us to escape the demand-monopoly system. Brazil already has 180 community development banks, with local currencies, and a synergy of local initiatives. It still has a very small participation in the credit system, but together with the financial cooperatives, it shows the potential of local collaboration platforms for community empowerment. It makes local resources work for the community, not for extractive

financial and communication platforms. Arun Sundararajan (2016) presents an overview of the opportunities in the “sharing economy”.

It is important to understand that the management of large corporations such as banks, commodity traders, or the privatized health oligopoly, is today quite advanced from a technological point of view, but prioritizes the maximization of profits, in an uncontrolled environment that has abdicated any link to national interests, even if they repeat their ESG commitment. There is no problem in exporting oil, if the taxes levied and the resources raised are used to finance industrialization and scientific advances. Public interest, however, has been drastically weakened, which allows privatized corporations to become drains of wealth instead of contributing to development. The functioning countries, as we have seen, ensure a reasonable balance between the State, companies (and the transnational giants) and the different levels of civil society organization, unions and other types of associations. In Brazil, dramas such as hunger, deindustrialization, reprivatization, scientific and educational backwardness, environmental disasters and other deformations are widely studied and known, but we need to turn our attention to the decision-making process that allowed and continues to deepen the divorce between the private short-term interests, including international ones, and the interests of the population. We need a modern management shock both in public administration and in its relationships with the various economic and social agents. Reinventing government would not be an overstatement.

4. The political foundations: democratization

We need to realize that we are living in a make-believe democracy. The government of oligarchies, the submission to international interests, which is what has characterized our governance, deforms development insofar as it favors the self-reproduction of privileges, and deepens the country’s social fracture. The same process favors the erosion of the country’s sovereignty, since the groups effectively in power are today essentially associated with the international financial giants, the commodity trading *traders*, the interests of the great powers for access to raw materials, without regard for the social, economic and environmental dramas generated. Alignment with external interests

breaks the necessary balance between external pressures and the long-term needs of our development. There will never be total sovereignty in this interdependent world today, but if there is no government capable of negotiating Brazil's interests, the country will simply be used, a submission particularly deepened since the 2016 coup. Democratization and sovereignty are vital to all our goals. This implies a radical reduction of inequality, since political democracy becomes a fake system if it is not accompanied by economic democracy (cf. Dowbor, 2011).

4.1. Participatory democracy

Democracy is not just based on voting, it needs democratic forms of regular consultation, monitoring of programs, participation in different initiatives. As we have seen, this involves a strong decentralization of the decision-making process, particularly to the municipal level, which is where the population lives and knows the problems, the political characters, the challenges to be faced. This can perfectly coexist with modern forms of financial and results control, in the framework of decentralized network management that we saw above. These are not ideals, it is simply much more efficient for each city to be able to solve the problems of its daily life, the formation of a vegetable-fruit-farm green belt, employment policies, improvement of infrastructure and so on. Schools, colleges and universities can now articulate at regional levels for scientific exchange. This even improves management at the central government level, which can focus on broader issues.

Modern technologies appropriated by corporate giants have generated an intolerable system of centralization of power and concentration of wealth, disastrous in economic, social and environmental terms. Democratization, perfectly possible in technical terms, and with low costs, can open space for an appropriation of initiatives by the grassroots. In this age of knowledge society, and with the available technologies, the idea of a decentralized and participatory society becomes simply realistic, as we see in many countries. The above-mentioned example of the Casa Verde neighborhood, in São Paulo, where a collaborative platform allows companies, clubs, samba schools and even families to articulate in their own neighborhood according to their needs and projects, shows the space of opportunities that connectivity has opened.

We are no longer in prehistory in which a minority had access to education and general knowledge. Everywhere today, there are educated people,

and global connectivity allows for collaborative interactions. It is the basis of a much more participatory democratic system that we need to ensure, as a counterweight to the centralized system of interests of large corporations and their political articulations. It is essential to understand that when the main factor of production is knowledge, which is immaterial and, therefore, allowing infinite reproduction without additional costs, immense opportunities are open in which collaboration is more efficient than competition. In a way it is the technological basis of political transformation (cf. Rifkin, 2015).

4.2. A question of human dignity

Inequality measured in economic terms, particularly in terms of income and wealth, remains fundamental. But its manifestations take place in complex social dynamics, in which economic inequality is articulated with inequality of gender, race, sex, regions, or even neighborhoods. Inequality must be analyzed and tackled in the plural, just as the United Nations today works with the concept of multidimensional poverty. The broader concept of rescuing human dignity, which ranges from ensuring an economic floor for all, to confronting the most varied forms of arrogance, humiliation that affect most of the population, better reflects the systemic impact of the various forms of inequality. Economic contradictions remain essential, but their ramifications and differentiated manifestations go far beyond economic dimensions. We have to organize policy in line with the convergence of the various forms of combating discrimination¹¹.

The quota law adopted in Brazil was an impressive success, as inclusion through education and access to knowledge in general has structural and long-term impacts, and will be increasingly decisive as knowledge in production processes continues to become more dominant. We saw in the case of communities organized by the MST how productive inclusion needs to be accompanied by a profound cultural change in mutual respect, in the feeling of belonging to a broader social construction. Numerous economic activities, as we have seen with the solidarity economy initiatives promoted by Paul Singer, and the advances in cooperative systems, contribute to generating dynamics that are both productive and collaborative, in which the economic, political, social and cultural dimensions meet and become synergistic.

¹¹ A study by Mário Theodoro (2022) constitutes a fundamental contribution to this discussion and policy reorientation.

4.3. Restoring the relationship with nature

Until relatively recently, environmental protection measures were defended by informed minorities, but today, with the scale of the catastrophes, more and more people are convinced that it is not a question of whales and pandas, but of our survival. It is undoubtedly easier to mobilize people around short-term problems, but the scenario has changed, and many, particularly in the new generation, have already understood and are mobilizing, as we have seen in the movements in Chile and in many other countries. It is a profound cultural change, which opens the possibility of mobilizing people not only around their immediate challenges, but around systemic and medium and long-term challenges. We are going far beyond the “greens”. It is a challenge for humanity.

The basic concept of an economically viable, but also socially just and environmentally sustainable society, very present at the international level, is part of this broader dimension of the mobilization of society. Enough barbarism. On the one hand, this involves the State’s ability to regulate, to curb dramas such as Mariana, burning of forests in the Amazon and the cerrado, pesticides in all foodstuffs and in rivers, and so on. On the other hand, it involves the immense potential of public employment policies, with basic sanitation, urban afforestation, and so many possibilities, at the municipal level, with co-financing from the States and the Federation, generating at the same time employment, income and healthier life in the country. Equally important is the fact that the country adhering to coherent environmental policies is today of prime importance for international relations and the opening of markets. Environment initiatives can be powerful in building local and regional solidarity, and an overall orientation of the economy towards the common good. Understanding that we are in the midst of a global catastrophe is becoming a political rallying force.

4.4. A civilization based on knowledge and collaboration

Is it too much to dream of a profound change in values, in the very culture of competition, exploitation, war of all against all? In reality, it’s not about dreaming, but about avoiding the nightmare. Today we have an explosion of studies that show that we are rapidly heading towards the destruction of our own civilization, both because of the environmental dramas – we are part of the nature that we are destroying – and because of the explosive

inequality that makes us ungovernable. Democracy is backsliding. The challenges are well summarized by David Wallace-Wells (2019), in his *The Uninhabitable Earth*, and today we have countless studies that detail the step by step and projections of the slow-motion catastrophe we face. The culture of war of all against all, with modern technologies, generates a dynamic that is simply destructive. It is not 'destructive' in the academic or parliamentary sense, but destructive in the physical sense, of our children and grandchildren, if not of ourselves in this and future pandemics that spread across the planet. We must learn to collaborate, and to put donkeys' ears, as had been done with bad students in schools, on the heads of these billionaires who make a show of their money and power while contributing to the disaster.

The differentiation of specific interests and diffuse interests helps a lot in understanding the dilemmas. The majority of the Brazilian population undoubtedly supports the preservation of the Amazon, but these are diffuse interests, fragmented in the consciousness of millions of people, while the specific interests of corporations that profit from wood, soy, meat and ores run deep, buying political parties, changing laws or promoting coups if necessary: these are organized interests that become much more powerful than the diffuse interests of humanity, and even expand their base of support with the payment of dividends to so many shareholders. We find this dynamic in the planetary contamination of aquifers, rivers and seas, in the expansion of climate change, in the destruction of biodiversity, in the reduction of hundreds of millions of people to despair and hunger. *The business of business is business*, justified Milton Friedman.

Today we have the statistics, but not the corresponding power to change them. The WHO presents in detail the 8.2 million premature deaths caused by smoking, 7 million smokers and 1.2 million from passive exposure. About 4.2 million die from air pollution, 3.6 million from water pollution. A total of 15.8 million per year, with known, preventable causes. Obesity, caused largely by processed foods, causes an additional 5 million premature deaths. Cancer, largely caused by chemicals, causes 10 million deaths annually, and today affects even young people and children. The companies contributing to these deaths know the numbers all too well. But the priority is to get more profits and dividends for shareholders, large financial groups. They all subscribe to the ESG principles, but these remain in the public relations departments. How many years did it take and what battle it was to get lead out

of fuel? Or for tobacco companies to recognize that they knew about tobacco's connection with cancer? Are those who contaminate the water with pesticides uninformed? Do those who liquidate life in the oceans not know the numbers? Volkswagen didn't know about the deaths from particulate emissions? In 2022 leaks showed that Exxon knew decades ago about its contribution to climate change but instructed managers to promote the "uncertainty" arguments (cf. Freudenberg, 2021).

We briefly summarized four pillars of initiatives: organizing productive inclusion, ensuring the corresponding financial management, updating the forms of management so that policies work, and broadening the political clout to make these changes possible. On this last point, we are drowning in ideological simplifications, particularly in economics, where we justify barbarism by stirring up the danger of an even greater barbarism. Eric Hobsbawm rightly wrote that the economic theories of the neoclassicals came to be defended as a theology (Hobsbawm, 1994: 336). Michael Hudson (2017) refers to "junk economics". The essential point is that populations, civil society organizations, small and medium-sized companies, the set of social agents, need to have a much more active and daily presence in managing the interests of society. Faced with the strength of the world's large corporations, we will have participatory democracy or we will not have democracy. And we need to rescue more Paulo Freire, Franz Fanon and so many visionaries who sought a dignified life for all. I would not hesitate to say that we need a new humanism, and the corresponding forms of organization of how society decides its course. Is this a dream? Once again, it is about avoiding the nightmare.

In Brazil, we are on the verge of a new government, with strong policy changes promised by elected President Lula, many of them listed above. But the vested or declared interests of the financial corporate world, following the coup against Dilma and the inclusive development policies, have built institutional defenses against any progressive change. How much will the new government manage to recover will depend on mobilization of political support. The traditional elites, subservient to the global extractive system, do not promote development when in government, and do their best to hamper it when ousted. These political oscillations are familiar in Latin America, and have kept the region in dramatic backwardness and inequality.

And this not just about Brazil and its region. If we take global GDP, reaching \$100 trillion in 2022, the goods and services we produce in the world are equivalent to over \$4,000 dollars a month per four-member family. We have the money, the technologies, the knowledge of what must be done. But poverty is exploding, while the environment is going down the drain, and Wall Street keeps chanting: *Greed is Good!* Our problems are not economic, but of social and political organization. The hopes for the Lula government reach far beyond Brazil.

Bibliography

- ANEFAC (2022). *Taxas de Juros Janeiro/2021 x Julho/2022*. https://www.anefac.org/_files/ugd/21624f_0293e95f8819415d9cf993d0b3296120.pdf
- Camilher, F. (2021). *Nosso Núcleo Casa Verde*. <https://dowbor.org/2021/10/nosso-nucleo-casa-verde-desenvolvimento-local-sustentavel-fomentado-pela-vontade-do-territorio-e-pela-tecnologia.html>
- Dowbor, L. (2011). *Economic Democracy*. Saarbrücken: Lambert Academic Publishing.
- Dowbor, L. (2016). *O que é Poder Local. Ética*. <https://dowbor.org/2016/06/1-dowbor-o-que-e-poder-local-edicao-revista-e-atualizada-em-2016-maio-2016.html>
- Dowbor, L. (2019). *The Age of Unproductive Capital*. Cambridge: Cambridge Scholars.
- Dowbor, L. (2021). *O Pão Nosso de Cada Dia*. São Paulo: Autonomia Literária. <https://dowbor.org/2015/06/1-dowbor-o-pao-nosso-de-cada-dia-os-processos-productivos-no-brasil-ed-fundacao-perseu-abramo-sao-paulo-2015144p-isbn-978-85-7643-266-1.html>
- Dowbor, L. (2022a). Helpless Politics. *Wall Street International Magazine*. <https://www.meer.com/en/68319-helpless-politics>
- Dowbor, L. (2022b). *Resgatar a função social da economia: uma questão de dignidade humana*. São Paulo: Elefante.
- Dowbor, L., & Cezar, B. B. (2022). Brazil Facing More Than the Pandemic: Distribution and Exclusion in Economic Policy. *Latin American Perspectives*, 49(5), pp. 14–33. <https://doi.org/10.1177/0094582X221115357>
- Fagnani, E. (ed.) (2018). *A Reforma Tributária Necessária: diagnóstico e premissas*. Brasília: ANFIP; FENAFISCO: São Paulo: Plataforma Política Socia.
- FENAFISCO (2020). *Tributar os super-ricos para reconstruir o país*. Brasília: FENAFISCO.
- Freudenberg, N. (2021). *At what cost?*. Oxford: Oxford University Press.
- Hobsbawm, E. (1994). *The Age of Extremes*. New York: Pantheon.
- Hudson, M. (2017). *J is for junk economics: a guide to reality in an age of deception*. Dresden: ISLET.

- Instituto Cidadania (2009). *Política Nacional de Apoio ao Desenvolvimento Local*. São Paulo. <https://dowbor.org/2009/06/politica-nacional-de-apoio-ao-development-local-2009.html>
- Kroeber, A. (2016). *China's Economy*. Oxford: Oxford University Press.
- Lakey, G. (2017). *Viking Economics*. London: Melville House.
- Rifkin, J. (2015). *The Zero Marginal Cost Society The Internet of Things, the Collaborative Commons, and the Eclipse of Capitalism*. New York: St. Martin's Griffin.
- Sundararajan, S. (2016). *The Sharing Economy: the end of employment and the rise of crowd-based capitalism*. Cambridge: MIT Press.
- Tcherneva, P. (2020). *The Case for a Job Guarantee*. Cambridge: Polity Press.
- Theodoro, M. (2022). *A Sociedade Desigual: Racismo e branquitude na formação do Brasil*. Rio de Janeiro: Zahar.
- Uchôa, M. (2021). *O que os gestores públicos municipais precisam saber*. Curitiba: CRV.
- Van Parijs, P. (2018). *Basic Income and the Left: A European Debate*. Berlin: Social Europe Limited.
- Wallace-Wells, D. (2019). *The Uninhabitable Earth: a story of the future*. New York: Tim Duggan Books (Penguin).

Author's note

Ladislau Dowbor – economist, professor at the Catholic University of São Paulo, has worked for various UN agencies and governments. His books and technical studies can be found on his website <https://dowbor.org>