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Before the last exit: Chance for Lula to save democracy and market in Brazil

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Bio

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ABSTRACT

After the Cold War, not only the economic discontent created by capitalism and globalization went to the extreme, leaving the environment at the mercy of multinational corporations, but also the perception that the sovereignty, autonomy and independence of nations, and with them, the right to self-determination was increased to a limited extent. In particular, as the global crises of 2008-2009 hit people's lives hard, the sense of "being left behind" prepared the ground for the demand and supply of populist politics. However, populist governments not only failed to achieve any progress on the main problems complained about, rather the contrary, but primarily right-wing authoritarian-populist governments also worsened the situation by threatening multilateralism, democracy, human rights and the free market economy worldwide. Besides, the Covid-19 pandemic since 2020 posed quite mixed results for the future of populism. While the populists gained strength in the opposition, the right-wing populists in government began to lose power. Therefore, in such an environment, in Brazil, the rise of Lula's left-wing (and to some extent populist) government to power after defeating a right-wing authoritarian government has potential implications for the future of democracy, human rights, the market economy, and multilateralism. If the Lula government takes a reformist, transformative, and progressive path, it can become a positive role model for other countries under populism threat. However, this article questions the possibility of that under local and global constraints.

INTRODUCTION

After a fierce race against the right-wing authoritarian populist leader Jair Bolsonaro, the left-wing leader Luiz Inácio Lula da Silva Lula (Lula, hereafter) took the lead on November 2, 2022, elections by a considerably narrow margin in Brazil. Given the fact that the local and global structural challenges are there, Bolsonaro's loss of power does not indicate the final defeat of his right-wing populism. Latin America's recent history shows that as long as the internal and external conditions that provide supply and demand conditions for populism remain in place, the ongoing vicious circle between the right and left populist pendulum will continue. For this reason, this result in Brazil can be seen as the beginning of a new showdown rather than a final victory against authoritarian tendencies in society that is highly characterized by authoritarian populist values.

On the other hand, while the right-wing populism (RWP) poses an obvious threat to the democracy and human rights, it would be too simplistic to present the left-wing populism (LWP) as progressive, democratic, and pro-human rights from the viewpoint of hardcore populist theory. The current question is whether Lula, one of the established actors of Brazilian politics, who previously ruled Brazil for two terms, can show a genuine leadership for change and reform, and trigger a conjuncture with an overarching impact that might extend beyond Brazil, and trigger an anti-populist wave. Despite Latin America's political graveyard, which imposes a political culture of excessive short-termism, Lula can lead Brazil in that direction. To discuss these arguments, after analyzing the nature of the currently shifting global landscape towards populism in the second part, the third part deals with the overall political climate between right- and left-wing populism in Brazil. This section will consider Lula's legacy (2003-2010), Bolsonaro's populism in power and the expectations from Lula, who has returned for the third time. Finally, the fifth section considers the new global conjuncture and its implications for a comprehensive economic transformation, the need for funding and source of finance, efficiency considerations on the use of public money as well as the need for comprehensive tax reform to create a new source of finance such as wealth tax. Article ends with final remarks and observations.

SHIFTING GLOBAL LANDSCAPE TOWARDS POPULISM

Many prominent economists, such as Stiglitz (2003), Rodrik (2011), Acemoğlu & Yared (2010), and Greider (2003), argue that hyper globalized capitalism has exceeded its limits and produced unsustainable social, political, economic, and environmental repercussions. With those self-reinforcing inherent mechanism, they argued, "excessive globalization" threatens democracy, human right, and market economy.

Some alternative views, however, found that perspective overly pessimistic in an environment where socialist planning economies had collapsed in former Soviet Union in the early 1990s and nearly a decade after when China began

transforming Mao's regime to embrace and converge to the market economy led by Deng Xiaoping. After socialism collapsed and the possibility of communism as an alternative ideology lost its appeal worldwide, Fukuyama (1993) hastily published his "end of history" thesis, presenting capitalism as the most progressive and definitive form of an organization human beings can create.

Besides China and Russia, the number of countries transitioning to democracy and the market economy system suddenly increased and that created illusions about the final victory of capitalism over its alternatives. This process of globalization which was driven by technological breakthroughs, trade-openness, and financial liberalizations paved the way for multinational national enterprises (MNEs) to accumulate disproportionate concentration of wealth and a worsening of global income distribution at the national and global levels (IMF7WEO, 2007). Besides the great recession of 2008-2009 and the recent COVID-19 pandemic, a recent UN report also underlines the impact that climate change, urbanization and international migration has had on global income inequality (World Social Report, UN, 2020).

Global income disparities and a lack of opportunities are creating a vicious cycle of inequality, frustration, and discontent across generations and consequently have serious negative repercussions in the rise of authoritarian populism. Societies detach from the institutional structures to which they are accustomed to and eventually become more receptive to the recipes of the populist politics. Therefore, in a sharp contrast to the expected "third wave of democratization" in the post-Cold War period, the world has experienced "the third wave of autocratization," an era that can be termed "the New Cold War." For the first time in the post-Cold War world, authoritarian-oriented regimes outnumber democracies. This number does not include countries that have already surrendered to authoritarianism, like Russia and China (Lührmann & Lindberg, 2019). As of today, the global conditions for freedom and democracy are clearly trending downward. The growing signs of democratic recession, spreading to the core of the world's liberal democracies, particularly Europe and the United States. While these are the first serious doubts about the future of democracy in the advanced liberal democracies since the beginning of the third wave of democracythe erosion of liberal democracies is part of a broader downward shift worldwide. Besides the former president Donald Trump in the US and Jair Bolsonaro in Brazil, who lost the chair, recent autocrats include Hungary's Viktor Orban, India's Narendra Modi, Mexico's Andrés Manuel López Obrador, Russia's Vladimir Putin, Turkey's Recep Tayyip Erdogan, Venezuela's Hugo Chávez and Nicholas Maduro formerly, Filipino Rodrigo Duterte, Austria's Sebastian Kurz (Meyer, 2022).

The key observation to make here is that the rise of the new global wave of populism in the so-called New Cold War era has been driven

by the current distorted globalization, large MNEs spiraling out of control, and the Western-biased multilateral governance order (MLO) losing its relevance. A rising multipolar world and new global powers such as Russia, India and China are the driving force of the populist tide, among others. As geopolitical competition between the West (especially the US) and these two geopolitical rivals intensifies, we are increasingly threatened with a regression to the Cold War days where alliances matter above democracy and human rights. The rulers who aspire to become autocrats, or to deepen their autocracy, perceive no serious consequences from "the international community." Seeking a way to distance themselves from the West, many populist leaders are finding an opportunity to consolidate their power by exploiting the gaps in this emerging world (Aiginger, 2020).



Nested dolls depicting populist politicians Vladimir Putin, Donald Trump and Recep Tayyip Erdogan on the counter of souvenirs in Moscow.

A QUICK EVALUATION OF THE POPULISM IN OPPOSITION AND IN POWER

Having lacked a coherent known ideology or a worldview, populism is better understood as a technique for striving for power. Populists increase their strength and adaptability through pragmatism and opportunism and, therefore, are compatible with an unlimited range of specific ideologies. It can be deployed anywhere through several rhetoric, such as anti-elite resentment, that can mobilize the masses, especially in countries where economic inequality and inequality in power sharing are widespread.

The failure of the status quo to answer the ever-growing challenges such as economic woes, cultural fears, the speed of change brought about by globalization and digitization, and the failure of politics to manage the transition to higher levels of prosperity, provide the necessary supply and demand conditions for populist politicians to gain electoral support from the forgotten or socially neglected part of society. Under these challenging conditions people frequently turn to messianic solutions and demand extraordinary leaders with a cult of personality or metaphysical charisma who denies institutions and rules.

Left- and right-wing populists expose the following common characteristics: First, as Britannica emphasizes, a charismatic leader who appeals to and claims to embody the people's will to consolidate his power also explains the inherent tendencies of populists towards authoritarianism. In this personalized form of politics,

political parties lose their importance, and elections confirm the leader's authority rather than reflect the people's different allegiances. Believing themselves to be the "voice of the people and the right," they keep themselves outside and above the norms of control and regulation, often acting dependent on the situation and the people, and even displaying purely arbitrary administration.

Second, with no initial chance of coming to power alone, the populist parties seek social and political legitimacy by creating coalitions with "mainstream" parties. In situations where political elections reveal no majority rule options, they also play a more active part in the party and make further inroads until they dominate (Hayward, 2003). Once they finally take the lead by promoting simplistic solutions to complex problems, extreme promises, and superficial rhetoric, they entrench themselves by changing the rules and dismantling the separation of power among government, parliament and the courts. Additionally, they restrict media freedom, grow closer to the military, and close foreign borders. By harming MLO, the rule of law, democratic control mechanisms, human rights, and the market economy, populists ultimately incline to authoritarianism. Rather than do away with elections altogether, they hold pseudo-elections to legitimize their anti-institutionalist, plebiscitary, and majoritarian attitudes (Naím, 2022).

A third related and common unifying feature of the RWP and LWP is their "divide and rule" strategy. They practice this by pushing intensely polarizing messages and dividing people binarily into the "us" and the "them." The former is used to refer the ordinary people as virtuous citizens and the latter as a corrupt, self-serving elite. This divisive policy is shared among the populist, whether they are in opposition or in power. After the division of society into "the evil and happy minority" and "the good, unhappy and the silent majority," the assertion that the great masses, i.e., the real people, also have an extremely homogeneous structure has significant consequences (Vidigal, 2022).

Relatedly, populist actors strive for "uniting the nation," and perceive this as a permanent crisis. To that end, authoritarian populism tends towards extreme nationalism, racism, conspiracy-mongering, and scapegoating of marginalized groups. If there are sinister foreign forces and cultures that seek to intrude on the homogeneity of 'our people', country, nation, and religion, then the society needs protectors or guardians who can take care of society. All these factors help consolidate the leader's power and distract public attention from the leader's failures, the nature of the leader's rule or the real causes of economic or social problems (Britannica, 2022).

Fourth, when they are in power, as Diamond (2017) summarizes, (i) populists demonize the opposition as illegitimate, (ii) undermine the independence of the courts, the independence of the media, gain control of public broadcasting, put stricter control on the internet, (iii) subdue (depoliticize)

other elements of civil society and the business community into ceasing support for opposition parties, (iv) use state control over contracts, credit flows, and other resources to enrich a new class of political crony capitalists, (v) extend political control over the state bureaucracy and security apparatus to purge professional civil servants and create loyal servants to the political party. (vi) They also use the state intelligence apparatus as a weapon against the opposition, manipulate electoral rules and gain control over electoral administration to retain power in the elections.

Fifth, in economics, populism refers to a process that results in heroism when they are in opposition; while in power, they might foster pleasure in short-run unsustainable policies. With their oversimplified interpretation of a society's problems, they talk about fair income distribution, national sovereignty and independence. What they do in reality is that by ignoring scientists, professional and economic constraints, and efficiency considerations, they rely upon policies, such as excessive monetary expansion, inflationary financing, and accumulation of debt and, thus, unsustainable growth (Aiginger, 2020). Populists characteristically favor strong but somewhat selective government intervention in the economy to counteract market forces, which ends with economic inefficiency and unsustainable growth.

Sixth, in terms of "good versus bad populism" (Larry, 2017), one must first consider populist leaders' main ideologies, not their pragmatism, opportunism, tactics maneuvers (Huber & Schimpf, 2017). Hardcore ideologies like communism, capitalism, or fascism target to redistribute political power, economic dominance, and cultural leadership away from what they declare as corrupt, greedy, over-centralized, urban-based oligarchies in favor of empowering "the common people." In that context, three distinguishing characteristics of LWP than RWP can be mentioned: Because of their main leftist ideologies, LWP parties tend to define *the people* on a class basis, mainly referring to the poor. They, therefore, recognize class differences, consciousness, and conflicts of interest. In contrast, RWP parties define *the people* on a cultural and nativist base (Mudde, 2004). In other words, while LWP parties frame their criticisms economically and seek to protect the proletariat from exploitation by capitalists, RWP parties' champion *nativism* (Mudde, 2007).

Seventh, RWP and LWP differ regarding political inclusion but share similarities in their ideas of political contestation and control of power. While LWP parties generally do not discredit minority groups nor object to granting these groups political rights, they do not accept political competition for that they, and only they, are the true representatives of the people. Consequently, they consider political control through effective opposition and institutional power check mechanisms as obstacles that prevent them from implementing the people's will. In this sense, left-wing populists are inclusive on the societal level and the dimension of political participation. Thus, left-wing populist parties differ from

right-wing populist parties in that they embrace an inclusive as opposed to an exclusive view of society (Katsambekis, 2017; Mudde & Kaltwasser, 2013).

Eighth, like RWP, LWP parties are also anti-elitist and anti-establishment, but LWPs are more international than RWPs. This attitude might help bring about necessary institutional reforms to mitigate injustices, break monopolies, redistribute power and income, and therefore play a progressive role in integrating forgotten or left-behind groups in the system. In this categorization, LWP represents progressive, good populism, whereas RWP represents the "bad." However, the mentioned similarities should also not be overlooked. Populism, both right and left, is based on an individual's personal preferences and their emergency management and arbitrary decision-making. They constantly try to increase power and adjust the system to their whims. RWP and LWP demand more power for the ruling executive to shift power away from parliaments and courts. They show no significant difference regarding their influence on mutual constraints.

Looking at the issue from this perspective, it is clear that the populist leaders from both sides should be under constant suspicion. Their act of undermining modern governance based on the separation of powers between the legislature, judiciary and executive, undermining media freedom and silencing civil society NGOs with various tactics should be resolutely opposed.

Populists often use a strong pragmatism full of empty promises (i.e., promising a return to non-existent past glory) that helps them defeat the status quo parties in the elections. Their underestimation or oversimplification of society's problems cause them to severely underperform when in the power. However, that doesn't mean they can be removed from power just for not fulfilling their promises. Removing the populists from the seat is likely to be much more complicated than ascending them. As Trump in the US, Bolsonaro in Brazil and Orban in Hungary have shown, they do not go as easily as they come. That is because of the crimes and corrupt activities they commit while in power. After "crossing the Rubicon" in power, they pass a point of no return, and "unable to leave power." They try to hold on to power by any means within their courage and strength by undermining the democratic order that enabled them to come to power. They even invent a foreign enemy or dangerous power or, like Erdogan in Turkey, artificially organize a fake coup to consolidate their power. As Naim (2022) puts it, both left- and right-wing populists can be more ideologically different but more similar in their strategies to seize and retain power.

In this respect, as Aiginger (2020) states, democracies are fragile in their efforts to protect themselves from destructive attacks by populists. Although the number of military dictatorships, which peaked in the 1980s, has sharply declined, they have been replaced by pseudo-democratic personal dictatorships (Lührmann & Lindberg, 2019). Given that an "authoritarian" regime refers to the absence of

democracy, a system where free and fair elections determine who holds power, the most dangerous form of dictatorship in our time comes with the populist regimes. They are evolving under God-like charismatic leaders and seek legitimacy through a theater of rigged elections to govern their "pseudo-democracies" (Frantz, 2018).

In game-theory language, society may prefer "the least bad," the so-called "second-best" where "the first best solution" is not possible in the given social pay-off matrix. However, when it comes to favoring populism over the established order, the situation expressed by the phrase "get caught by the hail while escaping the rain" can arise. As Martin Wolf puts it, "yes, indeed, the failings of the existing governmental and commercial elites – their indifference to the fate of large sections of the population, their greed and incompetence, which have been so clearly demonstrated – are hard to answer for; the solution does not lie with the populists."

To conclude this section, populism does not allow a self-determined life to enrich human dignity and self-esteem. It does so by undermining life opportunities and lowering income. It also increases the probability of conflict with neighbors. Under populism, government expenditures for policy, border control, environmental degradation and health problems increase significantly, and this in turn leads to higher taxes and debt.

In terms of fighting with populism, it has multiple roots which must be addressed, but there exist numerous better solutions for these problems if they are discussed with citizens. However, given the new majority rules and suppression of the media, if there is no candidate presenting an alternative or opposition is divided, the return to liberal democracy is difficult. In order to combat and reverse populism, the disappointments of the "big silent majority" must be addressed and their hope for the future must be managed on a realistic basis.

In that regard, economic, cultural, and social expectations must be satisfied. The fears, anxiety, and concerns (i) like unemployment, income loss and inequalities, and rising cost of living in economics must be resolved. Also, negative repercussions of excessive globalization that comes with free trade and the unbounded activities of MNEs should be prevented from giving the impression of losing national autonomy, sovereignty, and independence. (ii) "Fear of foreigners," that caused mainly by legal and illegal immigrants, are also perceived as a threat over the settled life patterns and civilizational values of native citizens. That should also be managed more accurately. Redrawing the picture without whitewashing must be the starting point of a new policy. It is necessary to explain the importance of a pluralistic society and its dynamism. Furthermore, it needs to be stressed that heterogeneity is not negative. The interaction of different cultures brings innovativeness, creativity and opens the door to further prosperity.

Moreover, each era has its own language, culture, and necessary organizations. Reactions should be

appropriate. Instead of fleeing to the supposed “glorious centuries” of ancestors in different ages, it should be made clear that the necessary advances will never come through protectionism. Previous jobs and family structures will not be repeated either. As Rumi (1207-1273) once said: “My sweetheart faded away along with yesterday / No matter all the promises of yesterday / Now it’s time to say something new.”

In this respect, developing a vision outlining where the country or region wants to be in the medium term, for example by 2030, and defining the effective tools that can be used and partners found to achieve that vision are two Herculean tasks. In other words, it is important to structure the institutions, rules, instruments, actors, stakeholders, future industries, financial resources, and the place of the major national sectors in the global value chain and division of labor in a timely manner. All vision and measures should comply with good governance criteria, like transparency, accountability, and inclusion. The vision, which needs to be developed together with experts and policymakers, should be ambitious but achievable and shared by citizens, including the type of jobs to be created in a number of specific, future-oriented sectors. The skills and educational level of the youth as well as emigrants should also be aligned with this overall vision. The vision should specify which public services should be provided and how living conditions can be improved. Performance should be assessed against sustainable development goals. Actions needed include comprehensive tax reform, transforming the education system, supporting the hybrid work systems, and taking public action to support the process, investing in climate change and supporting green sectors such as better public transport, electric car incentives, car sharing and renting unused houses.



Luís Inácio Lula da Silva and former President Bolsonaro participate in the debate over Brazil in Sao Paulo on October 16, 2022. Photo: Isaac Fontana.

BRAZIL BETWEEN RWP AND LWP

To uncover the right-wing and left-wing populism of Bolsonaro and Lula, respectively, and to predict Brazil's future in terms of democracy, human rights, and the market economy, it would be helpful to briefly examine the rhetoric of these two leaders on the one hand and their real policies and implementations in power on the other. Although they both refuse to be labeled as populist, both Lula and Bolsonaro cause political polarization, albeit in different tones, by adopting an exclusionary, discriminatory, marginalizing, and divisive language. This turns politics into a struggle between angels (the big silent majority) and demons (elites, professionals, bureaucrats).and reduces political competition to a dangerous struggle between "traitors" and "patriots." According to a recent analysis by Käufer (2022), in the last election campaign, they both used terms like fascists, communists, devils, demons, thieves, agents of genocide, or Ku Klux Klan sympathizers to describe each other.

More specifically, Lula, who governed Brazil for two terms between 2003-2010, followed aggressive campaign rhetoric and insulted anyone who did not vote for him as "enemies." Rather than pursuing a reconciliatory course to build bridges, repairing social fault lines, and uniting the nation, he used the environment Bolsonaro had divided to his advantage. It seems he found this to be a productive strategy in a socio-political culture where demand for strong political leadership, authoritarian and populist values is high.

Lula was able to win the election with a majority, just 2 million votes more than his rival, and take charge of a deeply polarized country from January 1, 2023 by making different coalitions (León &Magni, 2022). Now, however, Lula has to mend this division he helped create and in such an environment he must propel Brazil into the future by giving the country a new vision.

Bolsonaro's campaign was characterized by a fear of violence when he repeatedly cast doubt on the electoral system in October 2022. Bolsonaro announced that "only God can remove him from the presidency" and suggested that if he received less than 60 percent of the vote that would mean "something unusual (fraud) happened." Like former US President Donald Trump, Bolsonaro refused to say whether he would leave office peacefully if he lost. He also scapegoated Lula by arguing that he is not only corrupt and a thief, but also will bring Communism to Brazil. The last, but not least, he blamed Lula for being pro-LGBTQ supporter, harming Brazilians morality. When he lost elections to Lula, Bolsonaro remained silent for hours after the result was announced and called on the military to oversee the vote count in October.

Both Bolsonaro and Lula have commonly attempted "scapegoating methods" to divert attention from their failures. Lula heavily relied on this strategy as he ruled the country for two terms (2003-2010). After the court rejected his candidacy, Lula ceded his post at the pinnacle of his popularity and social approval to another president (Dilma Rousseff – January 2011 – August 2016) from the same party, the Labor Party. Facing similar and serious controversial corruption-related lawsuits, Rousseff lost her post to Michel Temer (August 31, 2016, to December 31, 2018) as interim president, and then Bolsonaro rose to power from January 2019 to late 2022 (Käufer, 2022).

Looking at the language used by the two political leaders during Brazil's last election campaign, one can say that both can be cited as "examples of subversive populism." However, as the analysis presented in the first section concludes that LWP are expected to be more progressive than RWP because of the difference in their main ideology, we should focus on what they did in power in addition to their rhetoric. In this context, some selected practices of Lula and Bolsonaro (2018-2022) will be briefly discussed below.

LULA'S LEGACY (2003-2010)

Lula, a politician who has made a name for himself as a unionist and struggling leader in Brazilian politics since the 1980s, gained experience on his way to the presidency. There were two main challenges for Lula to overcome: (1) Brazilians were overly politized and had a divided political culture and (2) Lula's hardcore left ideology on economic management.

In terms of the first issue, the important chronic challenge was that all presidents of Brazil since re-democratization in the late 1980s have had to form coalitions among rival factions in the Brazilian Congress to govern (Käufer, 2022).

Considering that fact and his previous attempts at the presidency, he toned down his rhetoric and succeeded in increasing his stakeholders and coalition partners. Lula was able to win the 2002 elections as a result.

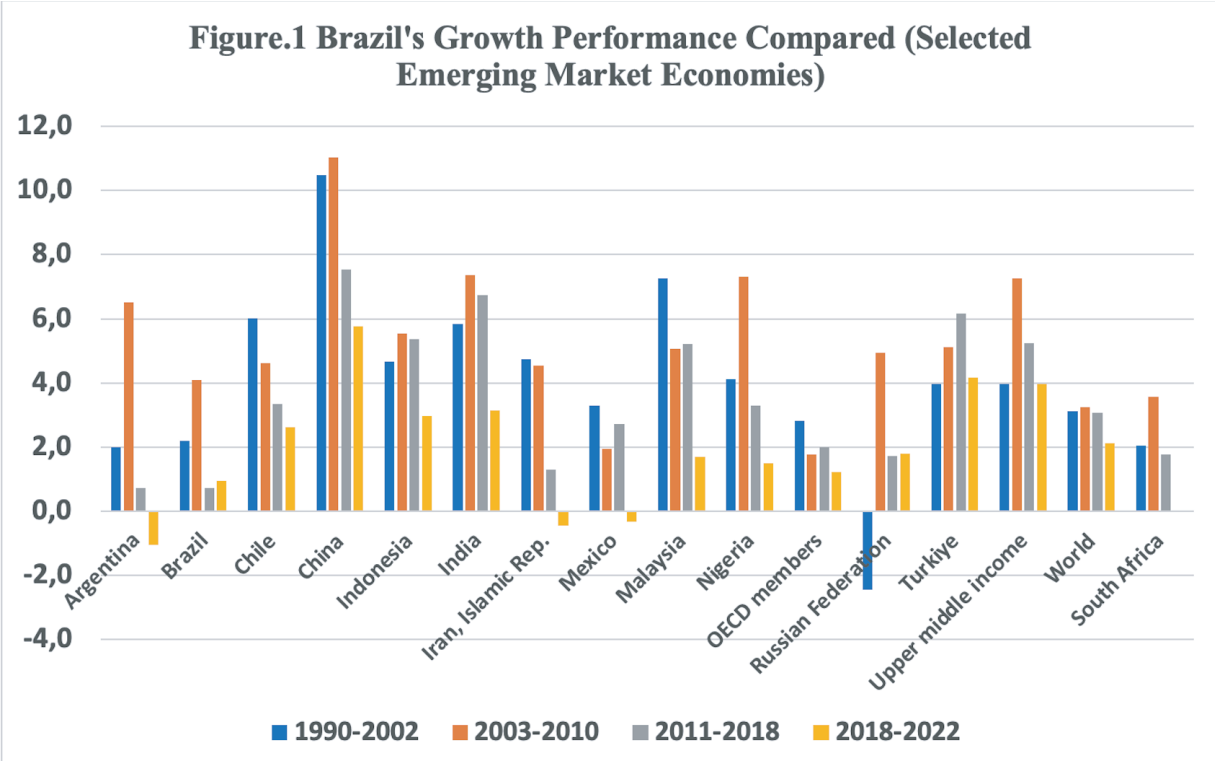
Regarding the second issue, Lula was aware of the uncertainty that was held amongst the public on how a left-wing leader, who used very harsh ideological language during the election process and was a union leader in his past, would act as leader of the country. Lula kept a flexible and pragmatic approach; He emphasized the unity of the country and tried to calm fluctuating markets by publishing market-friendly statements. For instance, by publishing a "letter to the nation," Lula tried to relieve "financial capital" by ensuring to follow an "evolutionist, pro-market, not revolutionary" reform and change path if the phrase is appropriate. The old saying that "the crowned head grows wiser" was vindicated in Lula's case. As soon as he came to power, he began to adopt very pragmatic policies as if to say, "what is said on the campaign trail stays there."

Lula was expected to take the necessary steps to resume economic growth during his first term in power, after almost 25 years of semi-stagnation, fight poverty, and improve historically deep income inequalities. Lula decided to continue the International Monetary Fund (IMF) program signed in 2002 by the former academic president Cardoso. Lula greatly benefited from the stability created by the Cardoso government, with the Plano Real taming inflation while avoiding recession and the privatization of monopolies increasing the inflow of foreign capital. To increase the credibility in his commitment to the market economy system, Lula also appointed Cardoso's Minister of Finance Pedro Malan to the same position.

Thanks to these measures, compared to other left-of-center reform projects, Lula caused fewer confrontations with internal political adversaries and economic elites. He gained a reputation as a moderate and pragmatic leader (Hughes, 2012). However, that level of pragmatism even risked disappointing his ideological supporters'. In a way to balance that perspective, he also stressed that rather than following the so-called Darwinian philosophy, implying the survival of the fittest where the big fish eats the small, advocated by the right-wing politicians, he would pay attention to the social policies to improve income distribution and alleviate poverty. In other words, Lula protected the balance between the elites, that is to say, the finance capita and the "silent majority". The combination of social sensibility and fiscalresponsibility promoted him as a "modern left" (de Carvalho, 2008).

In addition to his capacity to build and maintain coalitions and his ability to promote a pragmatic-flexible approach to the economic management Lula was also lucky, which allowed him to benefit a great deal from changes underway before his presidency. Geologists found a huge new oil field deep in the ocean off the Brazilian coast, and ethanol production expanded. The tens of billions of barrels of oil discovered in the fields of Rio de Janeiro in 2006 have been

Figure.1 Brazil's Growth Performance Compared (Selected Emerging Market Economies)

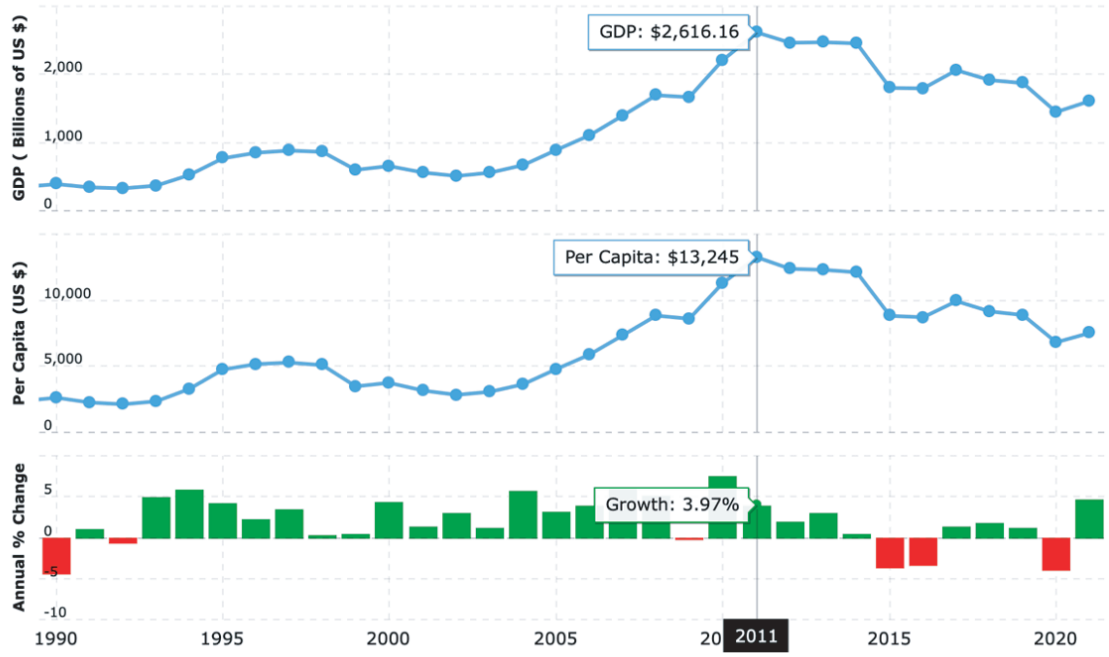


Source: The World Bank, https://data.worldbank.org/indicator

The growth performance and the associated social policies have contributed significantly to Lula's phenomenal success in the social sphere (Green & Skidmore, 2021). Growing export surplus and rising tax revenues allowed the Lula government to fight widespread poverty by investing in social programs, such as the Family Stipend (Bolsa Família), which started in 2003, to reduce poverty and increase human capital. Former president Cardoso's School Stipend (Bolsa Escola) preceded that program, and Lula merged it with his Zero Hunger (Fome Zero) campaign (Hall, 2006). Bolsa Família supported families with children with a per capita income of fewer than 70 dollars a month, granted a small sum of money per child (up to three children) as long as they were vaccinated, stayed in school and did not engage in illegal child labor. As of 2010, 12.4 million households had enrolled in the program, and, in sum, 20 to 30 million Brazilian escaped from poverty.

According to Neri (2014: 25), one-sixth of Brazil's strides in poverty reduction can be attributed to this program, which only costs 0.5 percent of the Brazilian GDP. Besides Bolsa Família, the creation of 13 million new jobs and the minimum wage surge from 100 to 205 dollars during his presidency helped him improve traditionally very skewed income distribution. According to the World Bank (2022) indicators, the Gini coefficient, an indicator of inequality, was above 0.60 in 1995s and 0.58 when he took office in 2003, declining to 0.53 at the end of his two terms in 2010, signifying a significant improvement. Rather strikingly, some experts like Hughes (2012) attribute Brazil's

Figure.2 Developments in Brazil's Economy (GDP, per-capita GDP, and Growth)



Source: https://www.macrotrends.net/countries/BRA/brazil/gdp-gross-domestic-product.

success in securing the 2014 World Cup and the 2016 Olympics in Rio de Janeiro, during his successor Dilma Rousseff, to Lula's legacy. Among others, what is equally important to note is that the mentioned average rate of 4.5 percent annual growth during his two terms associated with a reduced public debt from roughly 60 percent to 40 percent of GDP, reduced inflation from more than 12 percent in 2002 to just under 6 percent in 2010, and increased trade surplus from $13.1 billion to $33.3 billion (The Economist, Sep.19, 2022).

To conclude, through pragmatism and a flexible attitude, Lula successfully balanced a market-friendly economic approach with his socially sensible programs. He aligned with the market expectations and did not give much space to the expected left-wing populism, which sacrifices fundamental macroeconomic balances at the expense of unsustainable high growth, income redistribution, and economic isolation policies. That is to say, he sacrificed neither social sensibility nor business responsibility and macroeconomic stability. After all, his ten years were a period of delivering high economic growth, macroeconomic stability, and social protection not only subsided reactions from international investors and national economic elites but also increased his approval rating among the citizens to an unprecedented rate of 87 percent.

The appropriate question is: Why did Brazil then surrender to right-wing populism in 2018? What lessons can we learn from the experiences of Lula and his Labor

Party? Accordingly, what can be expected from Lula in his third term, which came at a drastically different local and global political and economic surrounding?Despite these positive aspects, Lula's two terms in power were also subject to the following shortcomings.

Among others, the most disdainful criticism against Lula's government concerns his inability to propose a strategic transformation vision for the country. Particularly during the first term, when capitalism was in a period of favorable expansion, the opportunity to transform the overall economy and diversify the existing industrial base through the use of a large volume of foreign capital inflows and the revenue generated from commodity exports was largely missed. Instead, the resources were directed to bigger transfer expenditures for single use at consumption (de Carvalho, 2008). So, the big vicious-cycle and therefore source of fragility for Brazil is that while the country remained dependent on unstable income via the exports of commodities and unstable capital inflows, the significantly big size of the population became dependent on transfer expenditures from the budget.

Moreover, being subject to a host of special interest groups at congress, despite levying taxes at levels close to the OECD average, much public spending is misdirected into feather-bedding bureaucrats or oiling political machines. In other words, interest-seeking coalitions lobbying power led the government to misdirect the resources to the investment in the sunset industries of the 20th century, with lower productivity and innovativeness.For instance,Brazil hosted the football world cup and Olympic games in 2014 and 2016, respectively, while the country's hospitals and schools fell into disrepair, causing severe economic problems and social tensions. Much of the explanation related to these failures have to do with governance. Brazil remains a relatively closed economy and has failed to develop internationally competitive exports outside of agribusiness and mining (de Paula, 2016; Jenkins, 2014).

If there is a "missing vision and wrong investment" somewhere, it is inevitable that corruption will follow it, and it points to a reality that is looming over Brazil like a nightmare. Relatedly, a period of big disappointment began in 2005 when Lula did not take "corruption rumors" seriously while in office. His involvement in the vast Odebrecht, a giant construction company[1], and Petrobras, Brazil's most prominent public institution corruption scandals have not been appropriately investigated (Sotero, 2022; DW, 2020). There was a constant effort to hide all these corruption scandals involving the name of Lula. However, Lula's reputation came crashing down after leaving office when he was convicted in a wide-ranging corruption probe involving the state oil company Petrobras. Corruption rumors during the presidency of his close colleague Dilma Rousseff, whom he handed over in 2010, were reheated. While Rousseff's defense of playing the "three monkeys" was roughly summed up as "I did not see it, I did not hear it; I did not do it," she preferred to explain the incident as a

political revenge plot on her political career by her opponents. However, none of these defenses saved her from impeachment in 2016 by the senate. That is because, for years, Ms. Rousseff had been placed on the board of directors of Petrobras.

Finally, she was replaced by the vice-President Michel Temer, who was also impeached and arrested during his tenure as acting president in 2016. Temer has been the subject of five court cases and one investigation, mostly related to passive corruption and money laundering. As part of the investigation, he was jailed in 2018 on bribery and money laundering charges and ultimately replaced by right-wing authoritarian leader Bolsonaro in the same year. After presidents Rousseff and Temer, this process eventually reached Lula, which led to his imprisonment for 580 days. However, the Supreme Court later ruled it as a mistrial, clearing his path to run for reelection. The inability of the judiciary to resolve these issues with the necessary transparency and impartiality in a country where all political leaders, including Lula, are prosecuted for corruption, impeached, or imprisoned has caused corruption to be legitimized, the public to lose its sensitivity to these scandals, thus, causing those involved to return to politics quickly. This social mediocrity points to a legacy that eclipses reformist and changer expectations for Lula.



Brazilian President Jair Bolsonaro during 74th Anniversary of Parachutist Infantry Battalion held at Military Village in Rio de Janeiro, Brazil on November 23, 2019. Photo: Celso Pupo.

BOLSONARO'S POPULISM IN POWER

Bolsonaro came to power by successfully mobilizing anti-establishment anger towards the above-given political deadlock. He ran against the grain in a country roiled by scandals and suffering from a stagnant economy (Phillips, 2022). Moreover, the negative repercussions of the global economic crisis in 2008-2009 continued to hurt society. As a result, in 2018, after two years of economic crisis and several public corruption scandals, Bolsonaro came to power in this environment with intense anti-establishment populism.

Bolsonaro began implementing policies that should be expected of a right-wing populist party. To mention just a few, he first worked to curb the judiciary's power and attack electoral institutions. Second, with time, his aggressive and often profane manner and his attacks on women and journalists have left the population tired of him (Phillips, 2022). Third, the pandemic set an excellent example of how a populist denies science, scientists, expertise, division of labor, institutional capacity, and autonomy. Experts say the story of how Brazil's leader went flaccid involves a litany of outrages, ineptitudes and errors committed during a chaotic four-year reign. At the height of the pandemic, like many other populists, Bolsonaro dismissed COVID-19 as a "little flu" and promoted the unproven and possibly harmful remedy hydroxychloroquine (Burni & Tamaki, 2021). He has expressed skepticism of vaccines — he suggested they could cause women to grow beards and turn people into crocodiles — in a country that has

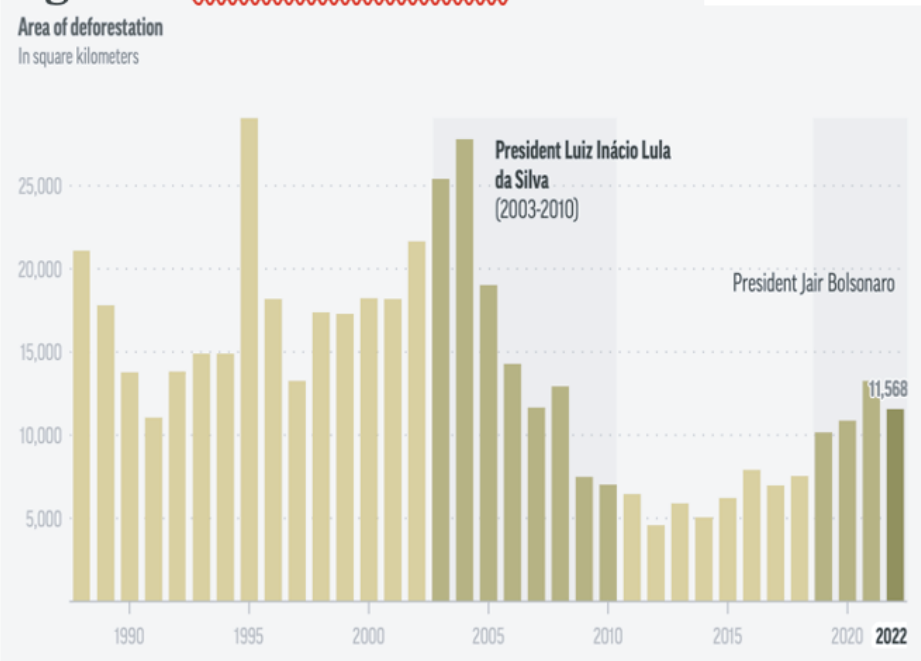
embraced them. Not surprisingly, Brazil has recorded one of the worst COVID-19 responses—nearly more than 34.5 million cases and 700,000 deaths since 2020. Both are presumed to be significantly undercounted (Béland et al., 2021).

Surveys show that more than 40 percent of Brazilians rate Bolsonaro's administration as "bad" or "very bad." Many experts also accuse him of having a role in hundreds of thousands of Covid deaths and his fake news-fueled attacks on Brazil's young democracy (Boyle, 2022; Villega, 2022). Therefore, it is expected that after losing power and presidential immunity, he might be subject to sanctions. With that fear, just two days before the successors' inauguration ceremony, Bolsonaro left Brazil for Florida and did not specify his return date. This action breaks with the Brazilian convention of outgoing leaders being present at the ceremony.

Fourth, besides pandemic challenges in the supply side of the economy, rising inflation stagnated national income and declining per capita GDP (Figure.2), and rising government debt that reached a record high of 90 percent of GDP (as of 2020), 30 percentage points higher than a decade ago. Because he underestimated hunger and malnutrition, tens of millions were plunged into poverty. Rather strikingly, after Lula's globally renowned success story in fighting against poverty, Brazil reappeared on the World Food Program's "Hunger Map" of the United Nations (UN) in 2021, with 28.9 percent of the population living in food insecurity. Thirty-three million Brazilians face acute hunger, and 100 million live in poverty, the highest number in years. It is a significant setback for a country that had been removed from the map in 2014, after an economic boom and landmark social programs helped lift 30 million people from poverty during Lula's administration (France 24, 2022). As the 10th largest economy in the world, the largest one in Latin America, and one of the world's largest food producers and exporters, Brazil's return to the UN's hunger map is not easier to bring any convincing explanation.

Lastly and most dramatically, South America's largest economy become an international pariah notorious for Amazon annihilation. Deforestation in the Amazon region returned with a vengeance, turning Brazil into a pariah in the global fight against climate change. After almost a decade of steady decline in the deforestation process, mainly under Lula's administration, the damaging process took off again under Bolsonaro's administration beginning in January 2019 (Figure.3).

Figure.3 Deforestration in Brazil



Source: https://apnews.com/article/jair-bolsonaro-forests-brazil-middle-east-deforestation-863224be226725da06db7768b305c3ea.

Bolsonaro's actions up to this point typically describe a populist politician; to exploit the failures of the incumbent regime, making grand promises, and ascendance to power using the democratic mechanisms that the system still allows. When in power, however, populist politicians do the opposite of what they promised resorting to unsustainable policies and not leaving power by employing all the available means when unsuccessful. Bolsonaro paid too much effort to reverse the situation towards the campaign's final stretch to keep his power. Flagging billions of dollars of welfare payments designed to seduce poor voters and a suspected attempt at voter suppression by federal highway police on election day. With Brazilians struggling with double-digit inflation and an election just weeks away, Bolsonaro has cut fuel taxes to reduce prices at the pump and sent monthly cash transfers to low-income families. He has created cash benefits for truck and taxi drivers and dispensed $20 to families needing gas cylinders for cooking. Although energy prices stabilized, inflation started to decline, and employment rose, Bolsonaro lost the seat.

The legacy of Bolsonaro is that Bolsonaro's policies weakening institutions, loosing macroeconomic stability, dismantling environmental regulations and agencies, and disregarding social programs. Brazil's fiscal situation is worse: public debt is 78 percent of GDP and 93 percent of the budget is consumed by mandatory spending on things such as salaries and pensions.

The global outlook is fraught. Though high commodities prices have helped the economy, inflation is hurting the poor. Political conditions are tougher, too. Brazil's Congress is more avaricious and less cooperative (The Economist, Sept.19, 2022). The highly fragmented political system in Brazil remains the biggest concern. In his inauguration ceremony on January 1, 2023 Lula described the diagnosis he received from the Bolsonaro government as follows: "emptied the resources for health, dismantled education, culture, science, they destroyed the environmental protections, haven't left resources to school meals, vaccines, public security, forest protection and social assistance" (Watson & Davies, 2022).



Luiz Inacio Lula da Silva walks among supporters on Augusta Street at São Paulo on the eve of the brazillian election on October 1, 2022. Photo: Yuri Murakami.

LULA'S THIRD RETURN AND EXPECTATIONS

After his third-round successful presidency in his sixth run, Lula has once again overtaken a politically divided and economically devastated country. Bolsonaro has gone, but "Bolsonarism" remains strong, making Congress hostile to the new government and society more fragmented (Sabatini, 2022). Keeping a possibly wider reform coalition in such a surrounding is troublesome. For instance, many prominent backbenchers (to be translated as "political parasites") are funded by agribusiness. Therefore, they could be a significant obstacle in Lula's highest priority areas of protection of the Amazon forests. That is why much of his speech to Congress at the inauguration ceremony was about "unity" and "reconstruction" of the nation through keeping and enlarging his existing stakeholders, which took him to the election victory.

Deep as they are, political divisions are not Brazil's only problem. Economic problems are relatively high inflation, unemployment, high public debt, deep income inequality, massive poverty, and an almost stagnating economy (Ottis, 2022). Real growth in GDP per capita has averaged zero since 2011. The commodities boom that generously helped financing many of Lula's social programs the first time around is over.

Very similar to what happened before he came to the power for the first time in 2003, during his third adventure to the power, Lula has once again tried to convince

markets that he would not go on an uncontrolled spending spree. Similarly, he chose Geraldo Alckmin, a center-right and business-friendly former São Paulo Governor who was Lula's rival in the 2006 election, as his Vice President. Going even beyond that, Lula has criticized a few of Rousseff's policies, such as keeping fuel prices artificially low and offering tax breaks worth more than 450bn reais ($86bn) to businesses (which amounted to 7.5 percent of GDP)

On the other hand, today's fraught geoeconomics climate offers Brazil some opportunities as well. The country is rich in food, fuel and metals and has a flourishing renewable energy sector. It is located far from global conflict spots and has traditionally sought good relations with the US, China, Europe, and Russia. However, economic transformation, industrial diversification, and generating funding resources in an unfavorable global and national environment are pretty uncertain. By lamenting the drop in car production and Brazil's dependence on commodity sales to China, Lula has underlined the need for "re-industrialization," proposed solutions such as investments in technology and the green-energy transition. However, Lula will continue balancing his "market-friendly" approach with "society-centric sensibilities.".

Lula's quite ambiguous program involves the following toppics

In terms of fighting with poverty, through the Bolsa Familia poverty-relief program that includes transfers, expansion of social-housing scheme as well as debt-relief, Lula wants to "put the poor back in the budget." He targets 33m Brazilians, who live on less than 289 reais ($55) per month, the highest number since 2012. Accordingly, the poorest families will get 600 reais ($110) a month and those with children under six years of age will get an additional 150 reais ($30). His second major measures to improve income distribution involves "updating" the existing labor reform, which he calls "slaveholder mentality." Accordingly, he will increase the minimum wage, provide equal pay for men and women, aims adding protections for part-time workers.

Other challenges await Lula that are as important as overthrowing Bolsonaro through a legitimate and fair election. Lula must maintain the coalition he has formed, convince the highly politicized parliament to get support for the needed reforms, provide the necessary financial resources and restore the badly damaged financial balances. Implementation of a comprehensive tax reform, therefore, is one of his priority areas.



Putin, Biden and Xi Jinping in the form of Russian nesting dolls in a gift shop in Moscow. Photo: Shutterstock.

THE NEW GLOBAL CONJUNCTURE

It is a very positive development that Trump in the US and Bolsonaro in Brazil were removed from their seats without being given a chance for a second term. However, after the right-wing authoritarian populist leaders lost elections in both countries, their supporters became even more divisive and did not accept the election results. Trump's supporters in the US and Bolsonaro's in Brazil have shown again that right-wing authoritarians come with free elections but try not to go by fair elections. At first, they wanted "military intervention" after the election results in October 2022. However, thanks to the army's neutral position, it did not happen. After that, Bolsonaro fled the country to the US before Lula took office. Finally, with the encouragement and organization of the Bolsonaro team that occupied high-level security-oriented bureaucracy, his supporters attempted a coup d'état against the newly appointed government and stormed parliament. Thanks to his leadership and experience, Lula had no hesitation in declaring a state of emergency and dismissing many of the top security bureaucracies appointed by Bolsonaro. This evidence shows that Trump and Bolsonaro have gone, but Trumpism in the US and "Bolsonarismo" in Brazil have remained. This fact has deep-rooted implications that current global order and its structural characteristics feed populism at both the global and local levels remain.

Multiple adverse effects of

excessive globalization manifest themselves in DCs through transmission mechanisms like the activities of the MNEs, mainly in labor markets and foreign trade sectors. Among others, the primary outcomes appear in the form of unemployment, downward pressure on wages in traditional import-competing industries, and difficulties in regulating tax evasion of MNEs, generating income inequalities and poverty. It also cultivates a perception of a loss of sovereignty and national independence. The wave of global immigration, triggered by the mentioned process, not only increases the fear of local people losing their jobs but also alienates native people and feeds the perception of losing their endogenous values. Furthermore, international capital movements not only have weakened national governments' regulatory and taxation autonomy, but they have also shifted the balance of power within nations away from labor towards capital and allowed it to accrue further political power and wealth, opening yet more opportunities for the internationalization of capital.

According to a recent report by IPSOS Global Trends (2020), while six in ten (62 percent) globally agree with the meritocratic ideal (that if you work hard, you will get ahead), it is under threat in even in the most advanced and social welfare states in key European countries. For example, only half of those in Germany (53 percent) and Spain (50 percent) feel their economies produce rewards their efforts, as do just four in ten people in Italy (41 percent). One core response to this perceived inequality of outcome and opportunity is support for wealth redistribution – one of the top ten values of IPSOS in 2020. It encompasses the widely held view that national economies are rigged to advantage the rich and powerful (74 percent agree globally) and that large income differences are bad for society (76 percent). Finally, "the big silent majority," who was entirely excluded from the decision-making processes but could not avoid its negative consequences, have come to rely more and more on populist rhetoric, which, given the excesses of hyper globalization, is obsessed with the idea that zero-sum situations invariably characterize market exchanges.

To reverse the mentioned process, DCs need to balance excessive globalization through localization, poverty prevention, tax reforms, and improved skills and abilities for a comprehensive future oriented sectoral transition. These tasks require four interlinked transitions comprised of mainly manufacturing, fiscal structure, education, and governance sectors. To address these tasks following tasks must be fulfilled.

i) Repositioning of the country in the global supply chains through re-scaling and re-shoring.

ii) Further localization of production and governance.

iii) Transition of energy systems towards renewables from fossil fuels, and

iv) Substitution of basic universal and targeted income through a comprehensive tax reform are the priorities.

Regarding the first three recommendations, the pandemic crisis has marked another turning point in the process already underway, which is leading many companies to transform their supply chains and invest in more resilient and often more localized production patterns (Zhan et al. 2020; Lawrence, 2020). Localization measures involve empowering community-based decision making, participatory budgeting, and local action on such issues as renewable energy, green infrastructure, public services, and food production. As thought from Brazil's perspective, localization is especially beneficial for food production, as the pandemic has revealed the precariousness of global food supply chains. Yasmeen etal. (2020) adds that nearly one quarter of the world's food crosses a border before consumption. Countries tend to specialize in a few products and import most others. Meanwhile, just a handful of mega-sized corporations dominate international food markets, and production often depends on the exploitation of vulnerable groups, such as migrant workers. As can be seen, one of the critical issues here is the balance between the quality of integration into the global order and localization.

Lula's vision to give more weight to the public sector in transforming the industries where Brazil has competitive advantages, particularly in infrastructure investments, transition to a green economy with low-carbon target in the 2030s, agribusiness has been one of the hot topics of discussion in the country. However, the quality of public sector leadership in industrial transformation through selecting the national champions or the potential winners has been a highly problematic issue, as we know it from the failed industrialization models of import substitution in Latin American countries. It is a story of failed models, squandered resources, entrenched crony capitalism in corruption, and widespread authoritarian regimes.

Similar to his earlier experiences, Lula insists on big infrastructure projects, like public transportation, energy and water with investment from both the public and private sector. He also advocates a heavy dose of intervention, describing a national food reserves policy, the exchange rate as an instrument to reduce volatility, and the need to "Brazilianize" petrol prices. Meanwhile, Lula does not talk much about reducing trade barriers or making public spending more efficient.

Considering the nature of rising industries, in the age of fourth industrial revolution, Brazil should craft a model which carefully distinguishes between "crony-friendly," "business-friendly," and "market-friendly" approaches in search of attributing a new role to the public sector. In a crony-friendly policy regime, a few firms obtain many privileges from the

government by leveraging their political connections. These include resources directly allocated by the state, such as public procurement contracts, public land, or subsidized credits. Politically connected businesses may influence the regulatory framework in a way that creates barriers to entry for potential competitors through several direct and direct lobbying. In a business-friendly approach, rather than bestowing favor on a few cronies, some businesses groups are supported in a transparent way to stimulate specific sectoral and regional development policies. Obviously, business-friendly policies are superior to crony-friendly policies. However, sometimes these policies may also disproportionately benefit a few. For example, suppose a tax benefit, cash subsidy, or import tariff protection are given in a sector or industry, where concentration ratio is high, dominated by a few big conglomerates. The "first best condition" is market-friendly policies as it fosters fair competition in the market after setting the rules and observing the proper implementation of the game's rules.

In order for Brazil to grow faster, it needs reforms to improve the quality of spending and the business environment. Viewed in terms of the public sector effectiveness, when using public banks to finance large infrastructure projects, it must be ensured that this support remains at the level of providing a positive signal effect to the private players. The efficiency criteria are consistently met when the projects are carried out under more market-oriented conditions. Given the caveats above, a market-friendly.public-private-partnership (PPP) (Matsumoto et al., 2021; Straub & Islam, 2022) model might trigger externalities in important sectors such as (renewable) energy, agroindustry, automotive, machinery, iron and steel, health, finance, and logistics, which, in turn, creates "crowd-in" effect for foreign as well as domestic investors. Foreign interest will emerge much stronger in the above sectors, especially as Brazil, with its 250 million population, raises its per capita income to the upper middle-income level and strengthens the middle class by improving the income distribution.

Finally, in repositioning the country in the global supply chains through re-scaling and re-shoring, localization, and transition of energy systems also require resources, to be briefly discussed below.



Photo: Shutterstock.

THE SEARCH FOR A RISKY FLEXIBLE BUDGET

Since 2016 Brazil's budget has been restricted by a Constitutional Spending Cap (CSC) that limits the growth of spending to the rate of inflation. However, such a restrictive anchor for Brazil, where crony business-friendly capitalism has been deeply rooted, is seen unacceptable (Limoeiro, 2020). First Bolsonaro announced that he plans to replace it with "more flexible" fiscal rules. However, the challenges with the COVID-19 crisis caused this constraint to be de facto out of action, as it did in other countries, without the need for a de jure amendment to fund COVID-19 spendings. However, these stimulus measures were also used to benefit former president Bolsonaro's campaign and harmed balances in the country. As a result, it has lost its power as a fiscal anchor.

Quite reasonably, Lula also wants a new fiscal framework that allows for more short-term borrowing while assuring markets that the debt-to-GDP ratio will come down in the medium term. Indeed, under Lula's initiative, Brazil's Congress has already suspended the government's CSC to allow his government to raise expenditures on social welfare and public works, two urgent task and priority for his government. It corresponds to a spending of an extra $28 billion in 2023 outside of the CSC, sidestepping a fiscal anchor designed to keep free-spending governments in check (Pearson & Magalhaes, 2022). However, several caveats should

be noted also here. In Latin America in general, and Brazil in particular, the issue of fiscal flexibility points to a deep stalemate. On the one hand, the priority of Lula's administration is to "put the poor back in the budget", but, on the other hand, it is open to irresponsible populist abuses. As seen in the previous Bolsonaro era, the populist government ignored budgetary constraints, particularly the current anchor, leaving the Lula government financially vulnerable to extreme damage. This applies to both the national debt and budget deficits. The policy implication is that, in Latin America, where populism and short-termism dominate, lacking technical control over the use and draft of budget and borrowing can open the door to costly abuses. For that reason, that approval has prompted concerns in markets about the fiscal health and long-term growth of Brazil, Latin America's biggest economy. So, we have come to two conclusions: First, for sustainable economic growth, transparency and efficiency in public spending, on the one hand, and second, a disciplinary, albeit flexible, limitation on budget expenditure in the medium term, if not now, on the other, should be sought. However, in addition to these measures at the spending side, the biggest challenge in providing the required funding for development projects as well as for improving income distribution, a truly tax reform is needed.

WEALTH AND TAXATION

The tax reform could play a crucial role for Lula's government to permanently reverse the waves of populism via improving the distribution of income. Since the lower social segments are dragged into deeper poverty due to job and income loss as well as rising cost of living recently, finding ways to support such vulnerable segments, for instance, through the provision of either a guaranteed/universal basic or targeted income, and the necessary financial resources for social expenditures have become one of the most urgent topics of discussion globally. The "guaranteed" basic income provides the same lump sum to all citizens regardless of circumstances, whereas a "targeted" basic income is available only to those who need it because their income falls below a minimum threshold. Their goal is to alleviate poverty and replace other need-based social programs that potentially require greater bureaucratic procedure.

It is evident that all these expenditures would increase the cost to government budgets, which are already being inflated by fiscal stimulus. Among others, one important source of income would come from levying a net wealth tax on the wealthiest without causing capital flight, tax base erosion and profit shifting (BEPS). OECD defines BEPS as "the tax planning strategies used by multinational enterprises that exploit gaps and mismatches in tax rules to avoid paying tax. BEPS is quite crucial in DCs due to their higher reliance on corporate income tax, and they, therefore, suffer from it disproportionately. Among other harms it causes, this undermines the fairness and integrity of tax systems because businesses that operate across borders can use BEPS to gain a competitive advantage over enterprises that operate at a domestic level. Moreover, when

taxpayers see MNCs legally avoiding income tax, it undermines voluntary compliance by all taxpayers. Thus, the task of financing growth and development in DCs becomes clear; By evaluating in terms of efficiency, equity and administrative arguments the imposition of a net wealth tax on the richest will not cause capital flight and levying a tax on the earnings of MNEs from the country they operate in a way to prevent BEPS are the two interrelated tasks (OECD, 2018)

However, the needed measures such as the implementation of a comprehensive tax reform are relatively easier to pronounce but hard to execute for numerous reasons. First, governments have long feared that higher taxes would produce capital flight and discourage investment. As a result, countries are engaged in a "race to the bottom" on corporate taxation, which ultimately, they lose. Second, in a world of large MNEs, mobile capital, and seamless digital transactions, it is hard to identify where modern businesses with significant intangible capital, especially digital businesses, locate their activities to be taxed away.

As a global public good, a tax reform requires international cooperation in renewing fiscal sovereignty through a new social contract. However, as Cobham (2021) notes, there are also potential arrears to be taxed away despite its complications along the way. As a matter of fact, according to the finalized landmark deal in October 2021, agreed by 136 countries and jurisdictions representing more than 90 percent of global GDP, MNEs will be subject to a minimum 15 percent tax rate from 2023, corresponding to more than $125 billions of profits from around 100 of the world's largest and most profitable MNEs to be reallocated globally. Therefore, as the winners of globalization,paying a fair share of tax wherever they operate and generate profits will contribute to a more balanced globalization and multilateralism.

Returning to the taxation of richest companies, in principle, a fiscally neutral reform pair higher income taxes on high earners with lower payroll taxes for firms to incentivize formal employment seems reasonable in Brazil. Lula is quite eager to move quickly on a reform that would increase taxes on the richest while simplifying the labyrinth of levies on consumption, which are seen as a drag on growth. Income tax and VAT reform are priorities, particularly in the context of one of Lula's main pledges, which is to address the crushing poverty situation in Brazil and ensure a progressive tax system where the wealthy pay more tax than the poor. However, given the fact that involves complex negotiations with states and interest groups, and the polarized political divisions in Brazil, these herculean changes, like a tax reform seem almost unlikely.

To conclude this section, it should be noted that when the agenda of industrialization and transformation in new sectors for Brazil is combined with the plan of taxing MNEs and levying a "welfare tax" on the richest in the country: In the efforts to delegate a more active role to the public sector, crony capitalism through rent-seeking of

the privileged segments that distort competition, effectiveness, and innovations should be carefully avoided. Brazil's attractive potential should be opened to the world, and the above taxes should be levied on high earnings.

CONCLUSION

Only at the end of the 1980s did Brazil transform into a democracy, which was also quite unstable. Brazil's experience has also shown that even if the modern bureaucratic apparatus, autonomous and professional institutions, and principal institutions of the state— executive, legislative and judiciary—are supplied, if culturally and mentally supportive epistemology is not there, the system will not cultivate the expected outcomes.

In Brazil, the erosion of institutions in the last three decades have continued and they have become increasingly dysfunctional and politicized. In such an environment, corruption has become rampant, and the country's presidents, including Lula, Rousseff and Temer, have been impeached or imprisoned on corruption charges. In the last case, Bolsonaro is trying to rid himself of the same fate by leaving the country. However, not only has the modern state apparatus failed to stop the rise of such a massive crony system and corruption, but also most of the impeached leaders were soon released from prison and compromised to return to politics, like Lula himself. These examples point to the poor quality of the judiciary and the institutionalization that is destroying public confidence in the system. That overall environment leaves voters open to losing their interest in the democratic system, adhering to short-term solutions and populist rhetoric. While the country's authoritarian culture persists, populist discourse seems to dominate politics on both the right and left.

Externally, the imperfections created by the multilateral order in the post-WWII era and global capitalism, which both reflect Western values and dominance, have been subject to significant structural economic, political, social, and civilizational problems. The message is that, in the persistence of unresolved problems, the supply and demand conditions of populism at home and abroad also stay in place.

During Lula's first two terms in power (2003-2010), the dimensions of left-wing populism were seen both in terms of progressive as well as regressive aspects. During his government, Lula followed a responsible, flexible, pragmatist path regarding the market and a socially sensible path adhering to societal expectations. Intending to improve income distribution, he focused on eliminating poverty. However, rather than driving the economy into a wide-range competitive transformation and boosting employment and income Lula addressed social vulnerabilities through regular social transfer expenditure aided by the fact that energy commodity prices gave Brazil relative fiscal flexibility in Lula's first two terms. This shows that Lula's vision was far from a fundamental transformation and relied heavily on the positive global conjuncture.

Likewise, we can say that Lula supported the privileged classes and sectors with “business-friendly” approaches instead of being “market-friendly,” and therefore his government could not stay away from corruption rumors and gossip. He did not even take them seriously, until he left power in 2010, when all these allegations started to undermine the entire system in more than one decade.

As of today, with the world teetering on the brink of authoritarianism and Brazil itself oscillating on the verge of such authoritarianism, Lula who has been active with a left-progressive rhetoric in Brazilian politics since the 1970s, might lead a radical reform leadership the impact of which would extend beyond Brazil. With that in mind, we can assume he sees it as “the last exit before the bridge.” Despite the social fragmentation and the split in parliament making it challenging to reach a consensus, Lula will have to build efficiency in governance and the economy and create competitive advantages in the sectors of the future through fundamental reforms. Provided that Lula keeps the “social and political coalition,” which led him to the victory in the last election, he can succeed these tasks and also overcome populism.

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[1] The Brazilian construction giant, known for its role in the “Operation Car Wash” scandal. The company has changed its name to Novonor in 2020 to repair its image with a new name.



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