

Being generous with other people's money or State responsibility? *Entrepreneurial and Protective State: the cruel asymmetry among citizens' benefits*

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The Crash of 1929 left an enormous legacy (of discussions and analyzes) about the effectiveness of government intervention in moments of crises, especially those that are considered systemic. In 2008, Ben Bernanke was much more responsive and, with *The Courage to Act* (title of his book – A Memoir), he took actions deemed necessary to salvage (banks) the US economy. In this case, trying to avoid the consequences of 1929, the rescue programs were designed to help while trying "not to bring damage to the public finances". The FED acted and became known as Lender of Last Resort.

Every structure and best practices that should exist and curb malpractices were "precarious and fragile": governance mechanisms, risk-taking limits, assessment, interpretation and opinion of credit rating agencies, "fostered" and conveyed the idea of tranquility and normality. For individuals and other investors, this whole organization inspired trust and credibility; after all it's very hard to imagine people doing their own due diligence on banks and beyond, identifying and weeding out the good ones and the bad ones. Similarly, pyramid (Ponzi-like) schemes tend to prosper, as the world-famous case of Bernard Madoff became known, driving several of his clients into bankruptcy. It is doubtful to say that governments need to intervene or "bail out" companies and banks in times of difficulty. Money belongs to the public, and taxpayers do not necessarily want their taxes to be used for this purpose. The government's excuse, as a rule, has been to avoid greater evil for society itself. Really?

The details and interpretations of this reasoning fuel endless debate, whose evaluations and indications "please" all ideological spectrums and public policymakers on duty. The point here is perhaps more straightforward and more superficial, but definitive in the construction and ordering of the State's attributions in this sense: to foster good governance and mechanisms of evaluation of institutions available to the public. We should let Joseph Schumpeter's "Creative Destruction" take hold. The State would need to be even more proactive and act preemptively in the definition and accountability of the institution's evaluation structure, especially its own. Information must be made available and credible, with a system of

accountability for those who produce, evaluate and disseminate opinions. The freedom to do business and take risks must prevail and each one, with reliable and measurable information, must have the right, but also the full responsibility for their actions, exclusively. Society should not pay for the risks taken by some - after all, it would not enjoy the "bonus" of the decision, only the "burden" of eventual failures.

The truth is that pundits and authorities have come to believe in the Too-big-to-fail hypothesis. Under this concept, especially in the US political economy, some companies or banks are key in securing a country's financial stability, and with it, their own bankruptcy can ripple through the system transcending their losses as well as their stakeholders'. In this sense, protective measures have been considered since the 1930s, with the purpose of containing the so-called systemic risk, especially in the financial sector. However, it seems that the parameters have not been sufficient or followed adequate protocols of accountability and impact assessment. So, with each new incident, there comes the need of a savior of the day. It is also important to highlight that such events, like the so-called Black Swan - a theory advocated by Nassim N. Taleb in which extremely rare, unexpected and improbable events, with enormous consequences - do in fact occur, but do not seem to fit in with what we have seen recently. However, in this dimension, they act to endorse, at every moment, by way of ideological stances, the justification that markets do not work by themselves and require the State to act.

Cases such as the Americanas retail chain store and the Silicon Valley Bank, to a greater or lesser extent, provoke State intervention. In effect, attention is also drawn to the unbending respect for taxpayers' money. Progress and risk-taking are part of the evolution and adjustments to how the economy works. In fact, it is precisely this process that makes the economy and its agents stronger and more resilient. Competition and failures improve everything, namely: prices, products and services.

Last but not least, individuals' freedom of choice and the responsibility for its consequences must prevail here. This seems to be the proper balance.

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