

The Paradox of Reason

The populist trap that undermines the foundations of a healthy economy

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It is not without reason that many refer to Economics as “dismal science”, because we are forced to deal with scarcity, finite resources, while our expectations, ambitions and aspirations target an adverse level, where, sometimes, they begin to guide behaviors and decisions that leverage possibilities. The Science of Economics puts a brake on this (or alerts to it), not only with numbers (procedural rationality), but also with behavioral economic analysis, including and evaluating social preferences, interests, information asymmetry, broad decision-making process and social psychology (hence the concept of *Humanomics*). Brazil nowadays, with our leadership, seems to ignore these non-orthogonal concepts, and follows its own logic despite the signs, warnings and outcomes.

In 2022 we published a series of articles under the title *Reflections on Economic Guidelines and Modeling of State Governance* – [Part I](#), [Part II](#), [Part III](#) and [Part IV](#), wherein their centrality lies in the vision of society, not exactly in line with the ordoliberals, but rather under liberal thinking in which the defense of voters' choice is carried out. However, at the cost of greater losses, these rules and procedures should not ignore systemic weaknesses, perspectives and attitudes that violate the economic order. Thus, the legitimization of rulers and their government plan is no seal of approval while triggering a possible spiral of harmful consequences for the economy. But how can we define the limits if our system of checks and balances does not capture current public policies with dire forward-looking effects?

More than that, how can one coordinate expectations and reactions with people with multiple perspectives, if in order to achieve a government plan and maximize social utility – here understood as government decisions justified by the idea of maximizing the social welfare function – one resorts to less republican attitudes? It seems reasonable to assume that “utility maximization” and “*humanomics*” can and should coexist, with the latter's concepts being part of the former's model, thus creating a “new system” to accommodate interests, preferences and socially acceptable adaptations. The ends cannot justify the means, and that requires “rationality” to be a determining and limiting factor.

In this line of thought, the current administration presents various challenges. The established view promotes the

development and scope of its government plan approved by Brazilian society, and which must, as defended in the aforementioned articles, be pursued so as to avoid committing electoral fraud. With goals and objectives set, the Commander-in-Chief has carried out, in narrative and attitudes, with the help of his team, public policies that aim to honor his campaign promises. Regardless of the ideal that is outlined for the country (this is a given), managing this process, however, involves serious criteria and formulations, as they confront both the *humanomics* concept and that of maximizing utility (outcomes). It is a conduct and rigging on political and technical bases of deceptive choices, whose main ingredient and appearance to the public is sheer populism.

This trap, it is clear, leads us down a path of profound economic and social setbacks. Thus, we have a logical paradox, as actions and attitudes will lead to not achieving the original goals and objectives. This disruptive behavior flies in the face of reality and merit, and spread contradictions where conduct should follow morality, responsibility, ethics and above all honesty for the country's betterment. Populism becomes circular and feeds, increases and solidifies wrong incentives, especially where the moral dimension diminishes and weakens the whole environment.

The President fails to understand that his conduct invites a corrosive reciprocity by other branches, while emulating factual problems and affecting Institutions. These latter are increasingly fragile, as wrong incentives (systematic and of all kinds) undermine accountability, which, in turn, leads governance into disarray. With the mantra of “Expenditure is Life!”, for example, the motivation is broad and sets the foundation and justification for everything and everyone, in a context of rigid budget constraints – herein lies our true Achilles heel. It does not seem to make any sense from the perspectives of sociological (social structures) or economic (rational choice) concepts.

The President must believe that he is right, after all his proposal has been nothing but clear. Furthermore, let us remember that revealed preferences (by the voter) are worth more than any other... but is unlikely to change our fate.

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