INTERNATIONAL JOURNAL OF ENTREPRENEURSHIP MANAGEMENT INNOVATION AND DEVELOPMENT

Brazil`s restructuring policies and its effects on economic growth: comparison between brazil and UK`s economic model

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Abstract

This paper aims to add some contribution to the understanding of the impact of open market reform on Brazil`s economy, marked by a strong influence and protectionist approach from the last five decades, this method seems not to represent any advantage to domestic business and society anymore. Instead, it contends the liberal reform proposed by the new government started in 2019, based on a market-driven approach, decentralization of federal power and global connection have more chance of providing sustainable economic growth. First, the challenge is to correct mismanagement from government and its equivocated attempts to control the inflation during two big crisis, which impacted severely the country's government debt, notwithstanding, the commitment from new elected govern in prioritize the urgent reforms and the excellent support showed by Brazilian citizens, demonstrate the significant probability of the implementation of the ambitious second phase of this plan, which has been promised by the government a great potential to drive the economy to the "Road of Prosperity". Ultimately it draws throughout on liberalism plan implemented in the United Kingdom to reinforce the potential positive upcoming on Brazil`s economy.

Key words: Interventionism, Protectionism, Economic System in Transition, Liberalism, Global Connection.

INTRODUCTION

This paper dicussses from Brazil`s economic history, and main issues Brazil`s new financial plan proposed of restructuring is a politic and liberal economic reform. The study will bring the view of main impacts in adopting this economic model from famous biographies, journals, and newspaper. A critical comparative analysis of the essential metrics from Brazil and the United Kingdom demonstrated in the data analysis and finding. Finally, this study will be addressing some opp Brazil`s politic history, marked by its ideologies, protectionism, corruption and misspending of public resources seems to be the main reason why the federal government has not been considered by local and foreign markets, as a good player for promoting its economic growth.

However, the time has changed, and Brazil might have been pushing an unprecedented economic restructuring reform in the economy, the new president elected at the end of 2018, Jair Bolsonaro, won by promising two ambitious changes, first the political reform, which includes a drastic reduction in corruption and investment in security and anti-crime policies, secondly, he promised a vast economic reform, able to take Brazil out of the great recession and make the country more competitive, which seems to make sense for a developing country, which a great potential for higher economic growth.

The first important decision widely approved by Brazilians, was to invite to join his team, as a Minister of Economy, a very famous economist with an ultra-liberal view, Paulo Guedes, who is PH&D in the economy from Chicago School and has accumulated long experience in running a business successfully, distinguished for his vast economic knowledge, the Brazil Super Minister, as he is frequently called on the media, Guedes has a responsibility of heading the government into this great challenge, he naturally became the second name more important in Brazil government nowadays and encompassed essential departments such as treasury, planning, industry, and commerce.

The great responsibility given to the minister of the economy seems to be aligned with the ambitious restructuring plan the government proposes, which is divided into two critical phases: Change the trajectory of the public expenditures, which seems crucial to implement any economic system changes. The country has accumulated a higher government current debt resulting from historical mistakes and privileges distributed to public employees, which require a continue tax increase to have enough income revenue to cover its higher expenses, Second, after controlling its finances the government would have opportunities to implement the market-driven reform, based on privatization, decentralization and international agreements, thus aim to reduce to influence of government on market and increase the fair competitiveness of its domestic business, as well as provide access to innovations and modern product and services at affordable prices to the citizens by connecting the country to the rest of the world.ortunities for Brazil`s government plan, as well as ideas to underpin this study in the future.

This paper, assesses the potential of Brazil's restructuring plan to create sustainable growth by making a comparative analysis with a developed economy recognized by having a consolidated market-driven economy

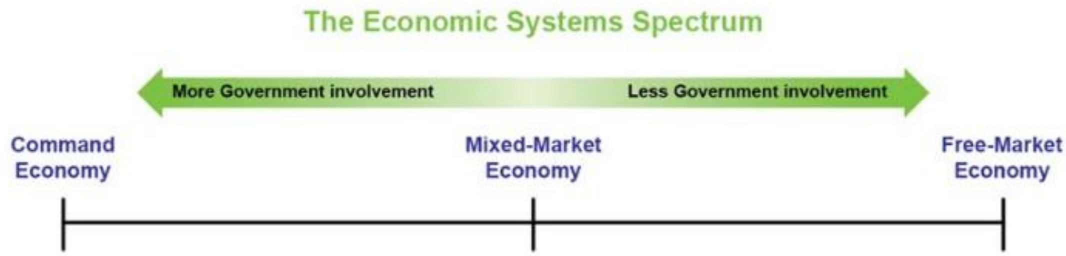
LITERATURE REVIEW

Question about Global Patriarchate

There are fundamentally three main types of economic systems; tradition, command, and those driven and organized by the market (Boettke & Heilbroner, 2019). Even though there are so many cultures that could define human society, in the sense of economy, these three seems to cover all different types enabling to recognize how communities are organizing about the economic system. Tradition system is more related to a rural and principle base, regularly closed tied to a farm. Command, as the name suggested, is associated with a strong authorism and centrally planned by using the formal command approach. From another side of the spectrum, exist the market economic system, where the business and householders determine the utilization of the financial resources, the theory suggests that in a pure market-driven economy, there is no influence of government on the market (Boettke & Heilbroner, 2019). For the aim of this research, it will not be analyzed the traditional economic system deeply, which seems not to have a relevant impact on the research main purpose.

The everyday activity of any economy is the coordination of production and distribution of its goods and services and manage its financial resources, to provide citizens substance, as well as promoting the economic growth, in order words, all economies face, what is called "The Economic Problem," the solution involves to solve three coordination problems; what to produce, how to produce, and for whom to produce and distribute its good and services (Paul A. Samuelson), in this sense, the appropriate distribution in an economic system is essential, not only to guarantee the society`s continuance, but it is determinant part of the country's strategy in allocating its resources to create a favorable environment for sustainable economic growth.

The economic system established in an economic might influence directly the distribution mechanism, however currently is not known an economy that can be recognized for having full command or even a pure free-market model (Stringham, 2010); nevertheless, the most common model is the mixed-market economy, with perceived characteristics tending to a command or free-market system, for instance, when there is a strong influence of the government on the market, including believed in state-owned business and higher protectiveness against is a global connection, it tends to the left side or as well known in politics left-wing, on the other hands in more liberalism or market-driven approach, with less influence of government on the market, marked by an absence of state-owned companies, it tend to the right side, left-wing (Amadeo, 2019). For the last five decades, Brazil has been oscillating from a command to a mixed-market economic system on the left side. The economic policy proposed to intend to put Brazil on the right side of the spectrum, as the figure below illustrates, with very lower influence from the government on the forces of supplying and demanding on the market.



Source: Cannon, N., 2008. Economic Systems Today, s.l.: s.n

Distribution Theory in Economy System

The theory of distribution is a conjunct of statistics that attempt to measure how the total wealth and nation income are being distributed among its individuals or owners of a factor of productions, such as labor, land, and capital, in three different manners: function distribution, which determines the wage rate for a specific group or minimum wage per person, distributed income, which determines how the national income is distributed among persons, for instance how many between £10,000 and £20,000, how many between £20,000 and £30,000, and so on, and distribution shares, which determines how national wealth is distributed proportionally among the factor of production, this statistics awareness to federal development programs to reduce its social inequality, but weather strategically used, it might promote the economic growth of a nation by distributing the required resources into the factor of production that will largely contribute to economic growth, which means an increase of the national income enabling to reduce social inequality for instance by increasing the minimum wage and adequately spreading the payment among peoples (Pen & Hans, 2016).

The distribution methods seems to differ considerably from an economic system model to another, for instance in a command model the government tend to retain the responsibility to decide how the country operates economically, marked by monopoly and state-owned business, for example, controlling of financial institutions and/or utility companies, as well as strategic manufacture and service industries, the distribution is concentrated on government. This centralized economy and its strong ideology and protectionism approach, which is a characteristic predominant from countries with command and mixed economic system model on the left side of the spectrum, have been argued for many classical and contemporary economists as a primary reason for a lower economic growth of a country, furthermore some asserted that it has been the reason why some nations do have so higher inequality income distribution (Wang, 2018), which seems to be an ironic contradiction, as one the critical argument for defenders of this economic model, is exactly the social positive impact it promotes, nonetheless from the other side of the spectrum, economic specialists defend that a social equity sustainability can be better achieved by promoting in a market driven economy society, where the enterprise owner of a factor of production determines

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the production and the distribution method based fundamentally in supply and demand of good and services. (Pen & Hans, 2016).

The Centralized Economic Approach

based on the idea that capitalism exploits labour and concentrate the power and resources on the hands of a minority (Pen & Hans, 2016), the solution proposed is the government concentre the power of distribution resources on the federal government, in a recognized centralized planned economy, the price of goods and services are controlled by the government, inflexible multiyear plans for future, bureaucratic documents and reports, as well as lower innovation process avoiding risks of losing the power by not investing in new process and technologies (Amadeo, 2019). According to the Encyclopaedia Britannica, The Soviet Union, for instance, achieved successfully higher rates of growth from its industrial production for approximately 32 years, using a centrally planned method, starting in 1928 when the country's government announced its famous 5-year plan (The Editors of Encyclopaedia Britannica, 2018), however by 1960, the system began to fail, due to its higher corruption and inefficient public services that seems did not create form of incentives for their society looks for their substance, as it was probably provided by the government anyhow a famous Soviet joke published on the New York Times press in March 2, 1990, perhaps summarize the situation very well "They pretend to pay us, and we pretend to work." (Silk, 1990

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Protectionism

The protectionism is the act of protecting local economy from trading internationally, the professor of Finance and Economics Department at Rutgers University Business School, Arthur S. Guariano (2018) highlight the protectionism involves a government intervention restraining a foreign business to sell its good and services for its local consume, by the meaning of creating tariffs and non-tariffs barriers, which makes a country less attractive internationally. Boundaries adopted by countries to inhibit international trade includes; extra import tariffs, taxes for all products or different import tariffs depended on the type of product, domestic subsidies and hidden protectionism, which is when the government pay allowance only when consumer buy local products or services, besides that import tariff be the primary practices found in protectionist approach, non-tariffs barriers can also be employed to restrain trading between domestic and foreign business as well, such as voluntary export restraint, preferential state procurement policies, as well as technical barriers to trade, which is creating higher standards of compliance to imported products increasing considerably the cost of products for foreign business. The main motives used for adopting protectionist policies seem to be the preserve of local industries, conserve non-renewable resources, prevail unfair competition, save jobs, help the environment, and limit over-specialization (Guarino, 2018).

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The natural form to recognize a country believes in a protectionism approach for allowing goods and services to entry in its country is to analyze the import tariffs per product, the chart below, for example, shows the import tariffs used by Europe Union 2019, it can be seen a higher fare for dairy, sugar and confectionery products, but a less tax for petroleum, it is necessary to distinguish in this analysis two forms of obtain income revenue comes from tax, which is revenue tariff used by the government to provide necessary resources to cover public expenditures, from a protective tariff, which is a form of the government restrain the consumer from buying foreign goods and services (Pettinger, 2019)

Product group	EU Final bound import tariff (%)
Dairy products	54%
Fruit, vegetables, plants	10%
Sugars and confectionery	30%
Beverages & tobacco	21%
Minerals & metals	2%
Petroleum	2%
Clothing	11%

European Union Tariffs By Selected Products (%) Source: (Economics, 2019)

The discouragement in the workplace is reflected in data: 43% of women view their fear of failure as the main drawback of not opening their own company. With men, the same rate drops to 34%. This scenario is also responsible for the fall in the percentage of women who wish to grow within the enterprises. Studies also reveal that in the first few years after entering a com The influential protectionist agenda can also be seen as a form of keeping the power centralized on government`s hands, as it was mentioned, it is part of command economic system, many conservatives and liberals defenders strongly criticize the extensive government intervention and protectionism in an economy, example as in the communist and socialist countries, such as the already mentioned Soviet Union, also found in Cuba, Venezuela and North Korea (Gordon, 2020). It might be essential to say that many economists, even those who are not defenders of a robust protectionist intervention, consider some form of protection necessary and important to improve the country`s economy and protect it from unfair practices and it is probably correct to say that all countries operate with some forms of import control to preserve its local economy (Riley, 2019); however, it might be a problem when a government voluntary and based on a political ideology creating rules with a clear purpose of banning international trade without considering the benefits to the economy.

For 16 years, ending in 2018, Brazil's government, which was from the left party, seemed to prioritize agreements with other economies, such as Cuba, Venezuela, and Bolivia, which

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demonstrated strong political ideology approaches, those deals did not provide any bilateral benefits for Brazil's economic growth, in the opposite way it was proved later, by an unprecedented investigation from the Federal Police of Brazil, some of the capital invested was part of corruption system and significant part of that money borrowed has never backed to Brazil (Gallas, 2019). This scandal created not only a disappointment of economy based on the ideological political system but help to make the majority part of Brazil's population to support the new government proposal of changing the economic system from a left-wing mixed-economy to a more liberal and free-market approach, which is recognized for many specialist, as the main reason Brazil's president, Jair Messias Bolsonaro, won the election.
pany, about 60% of women are willing to step up, but that number is halved as the years go by and they do not have their skills recognized (Hasan and Almubarak, 2016). After about five years, the same women who wished to ascend the position have already settled for the current position because they believe they are not able or lack the necessary skills to win promotions according to the research of Hasan and Almubarak (2016).
The above-reviewed challenges are common among women entrepreneurs notwithstanding their ocation or their type of entrepreneur activity.

Economic liberalism – Free Market

The contradictory economic theory for a command financial system, and its government attempting to control the supply and demand of goods and services in the markets by voluntarily interfering in all aspects involving business and consumer trade process, is the free market economic system, this model, which is based on the theory of liberalism, believes in the power of the market and the responsibility of its individuals to provide sustainable growth for an economic (Frankel, 2016). The term liberal system or different forms with the same meaning, such as liberal policy, liberal plan, liberal views, progressive ideas, and liberal principles, has been introduced as a political and economic sense around 1769, researchers say that William Robertson, a Scottish historian, and Principal of the University of Edinburg, was one the first of introducing the concept of liberalism as a form to develop the country, Robertson believed in country progress towards a more integrated world, his particular interest in social theory and the facts that guide the population, made his books, very influential in 19th century (Klein, 2014), but who became well-known world wild for defund the concept of liberalism was his very close friend, Adam Smith is considered the pioneer of political economy theory and recognized as the father of the modern economy, as a Scottish philosopher and economist, in one of his famous book, The Wealth of the Nation, Smith rationally expose the concept of how the individual interest and competition can lead to economic prosperity, this book published in 1776 had a global impact, and author's bibliography is present in several schools all of the worlds, primarily academic discipline of economics.
The central idea defended by Smith is that by giving the people empowerment to decide the supply and demand with a free market domestically and internationally, thus naturally leads to the better prosperity than having robust interventionist approach, this is possible due to the impact of self-interest have on the market, relating to quality, fair price and constant improvements of goods and services to satisfy people wishes and demand, this process called by the author as "invisible hand" has the power of creating an environment of a predominant meritocracy, where business needs to demonstrate the capacity to provide better services, and in the order hands, people need to show dexterity, to succeed (Smith & Cannan, 1776), this thinking is one of the reasons why Smith is considerate an enemy of the state intervention in a world released from the utopian delusions of communism (Li, 2018).

In a more contemporary view of Liberalism, a Nobel Prize-winning economist Milton Friedman, who is known, as a modern disciple of Adam Smith, argued that the free market works best for all member of society, Friedman provided examples of how this political and economic system can promote the prosperity, in his best-seller published in 1980, Freedom of choice, the author strongly argued with the idea of increasing the cost of people's lives and with the complexity generated by government intervention with social programs, which can be selling the sense it would help poor people, however ending in benefit and special privileges for some specific groups generating a snowballing that reduce the government's resources to help those poor people they were proposed to assist (Friedman, 2007). The social security program for public employees and militaries in Brazil is an excellent example of how government intervention was used to approve law to give special treatment to a specific member of society(Paraguassu, 2018).
Friedman won the Nobel prize for his achievements in the fields of consumption analysis, monetary history, and theory. The knowledge of the complexity of stabilization policy, made Friedman increase his popularity and attract other free-market thinkers to the University of Chicago, where he was a lecturer, and one of his students was then the actual Minister of the Economy, Paulo Guedes, who leads the implementation of a free-market reform defended by his lecturer (Boadle, 2019).

Main Differences from a Command Economy vs. Free market economy

The main difference from a free-market economy, based on Liberalism policy, defended by Adam Smith, Milton Friedman and Minister of the Economy, Paulo Guedes to a Command Economic model, is the power centralized on government and its intervention in on supply and demand of good and services (Mary, 2019), the model most of the previous government in Brazil used to say they defended, since the military government, was the free market economy opening to create several international agreements; however, it was later proved strong protectionism and uses of its state-owned companies to create an unfair competitive approach, distributing subsidies, controlling prices and frequently leading these companies into indebtedness and lower growth.

This approach does not belong to a free-market methodology, as it can be seen on the table below, the free market is characterized exactly by it lacks the participation of the government giving the private sector the ownership to improve the business profitability by providing right products and services to the society (Friedman, 2002), well-known liberalists, such as Margaret Thatcher, who was a British stateswoman who served as Prime Minister for a long time, believes in this method to manner increase the competitiveness between business, and promote dynamism and innovation within an economy (Weiss, 2019).

	Free Market economy	Command economy
Ownership	Firms owned by private sector	Industry owned and managed by the government
Incentives	Profit motive acts as incentive for owners and mangers	Government give little incentive to be efficient and profitable.
Prices	Prices determined by supply and demand.	Price controls
Efficiency	Incentives for firms to be efficient and cut costs	Government owned firms have less incentives to be efficient
Equality	Free market likely to lead to income and wealth inequality	Government may provide more equitable distribution of resources.
Examples	Hong Kong, Singapore – have limited government intervention.	Soviet Union, China (until 1970s), Cuba
Problems	Inequality, market failure, monopoly	Inefficiency, bureaucratic, shortages, surpluses, less choice, less freedom.

Centrally planned economy vs. Free market economy Source: (Economics, 2018)

The Economic Model in A Mature Economy - The United Kingdom

The United Kingdom had a tremendous free-market reform implemented in 1979, switch from an economic market actively influenced by government to a more liberalist approach, market by the abolition of control of internally supply and demand to international open trade, deregulatory low tariffs, free movements of capital and labor, light regulation of banking, low incomes takes and other incentives to encourage enterprise reducing the power of the state, having as great pillar, the introduction of a vast privatization program to sell state-owned companies. This structural economic reform started on Margaret Thatcher's government seems to be the reason for the reversing of Britain’s long-term economic decline. The country became more productive, more competitive, and more profitable (Vinen, 2010).

Since the 1960s, Britain was economically paralyzed with the productive falling, increase of inflation, and unprecedented growth of union militancy. The economic growth in the country was behind the other European countries, however, by introducing a market-based solution, the economy in Britain started to overgrow, especially after 1985, where the UK economy grew at 4-5% a year. This growth was well above the country's multiyear growth rate (Giles, 2018).

The market liberalization has had a profound and positive impact on United Kingdom’s economy, the inflation which achieved a high 27% before Thatcher’s government achieved 2.4 percent in 1986, which is the average inflation of country till nowadays. The privatization made the industries more efficient, generating better services with lower prices to the consumer. The deregulation of critical industries leads to high competition within local businesses, which helped to create more profitable companies and cut costs for consumers. Thatcher did not believe in "picking winners," but preferred to rely on market forces to provide the supply and demand necessary to improve the economy. (Vinen, 2010).

The liberalist reform agenda implemented in the United Kingdom had a strong influence on Milton Friedman's ideologies, he was the adviser of Margaret Thatcher, and his methodology helping Britain to enforce one of the most critical reform, becoming later known as Thatcherism (Jones, 2017).

Britain and the United States higher economic growth, which was marked by economic liberalization – free trade, open markets, privatization, deregulation and reducing the size of the public sector, motivated many countries across the world to restructure their economies by following similar strategies and opening their markets (Feldstein, 2013).

Brazil`s Economic System History

Brazil's economy and politics have faced significant changes from the last 60 years. From the economic system perspective, it can be seen that Brazil passed by an extensive command system, which was a military dictatorship starting in 1964 ending in 1985, to a mixed economic system, but with the comprehensive intervention of the federal government. Between 1968 and 1973, and yet, in the military government, Brazil experienced what is called nowadays as an "Economic Miracle," with the average economic growth of 11 percent during this period, which seems was driven especially by industrial and agriculture expansion (Kilborn, 1983), however, this vast growth also obscured many fragile points of the Brazil economy and the method based on high government intervention, proved not to be sustainable to promote the development of the economy permanently (Boudraux & Crevelari, 2019).

Brazil's first civilian presidential started in 1985; at first, the economy showed a rapid growth driven by the expansion of agricultural production. However, the country showed higher inflation, where the government tried to solve by creating a Cruzado Plan, an anti-inflationary program (Trading Economics, 2018); however, this plan did not succeed. Brazil faced the big first crisis after the military regime.

The second president of Brazil started in 1990, which won the election promising a significant economic modernization and eliminate government corruption and inefficiency. However, the president, Fernando Collor, not only failed to improve the economy but was involved in a corruption scandal that resulted in approval to suspend and impeach him at the end of 1992. After Collor, the economy continues to decline, and the inflation accelerated until it achieved 2,700 percent; meanwhile, the country paid vast amounts of interest service for money borrowing from the exterior, which created a high pressure on the government to create an anti-inflation plan (Trading Economics, 2018). In 1994, the finance minister, Fernando Henrique Cardoso, inspired in Argentina Plan, create the Plano Real (Real Plan), linked to the dollar, the real plan succeeded and the Brazil inflation started to be controlled, this gave great popularity to Fernando Henrique Cardoso, and he won the election in 1995 (Flynn, 1996), As a neoliberalist, Fernando Henrique Cardoso believes in a driven-market economy, in his government, he privatize large state-owned companies and invested in Brazil internationally trade, for instance, he dedicated a significant part of his government on a Mercosul program to increase the trade between Brazil and other Latin American countries, it says that Fernando Henrique Cardoso serving as Brazil's great stabilizer of its economy giving opportunity for his successor to put Brazil on the rota of prosperity (Flynn, 1996).

Although the successors of Fernando Henrique Cardoso seemed to have a different ideology from one driven-market approach and open market internationally as the best way to promote the sustainable economic growth, the government continue to invest in exportation and the trade surplus increased, at the beginning of the government in 2003, the economic growth rose and Brazil’s trade surplus increased with the Partido dos Trabalhadores (Labour Party), however, in 2005 a considerable scandal involved important public employees from members of this party arose, involving several accusations of participating on bribes using state-owned and private business, as well as financing illegal projects with other Latin American countries, known for sharing the same ideology (Sotero, 2018).

In the end, the Partido dos Trabalhadores’ government seems not to have taken the opportunity given by the previous government, the country was showing absolute stability created by Fernando Henrique Cardoso, and continuing investment in driven-market approach was probably the best and sustainable economic approach to develop Brazil’s economy. However, the different political and economic system believes in combination with massive corruption, including illegal agreements with other countries, such as Venezuela, Cuba, and Bolivia, lead to the decline of important economical rates, the worse one, the unemployment rate increase drastically to an average of 12 percent, thus culminating in a new economic crisis in the country since in 2014 (Goertzel, 1999).

Brazil Main Economic Issues

According to the minister of the economy, Brazil faced four decades with a very abusive expansions of the public expenditures, some of them came with good intentions, as attempts to controlling the inflation during the big oil crises; however, other were given in the form of privileges for public servers, thus results in current public expenditure estimated in more 45 percent of GDP, against 18 percent fourth years ago. The second large expense is the interest on debt; the total amount paid annually in interest is about R$ 100 billion ($25 billion) per year, as a result of Brazil's total debt of approximately 5 trillion.

The main Brazil economic issues seem to reside on the significant public expenditure that comes from several programs and projects implemented by the different governments since the military service. By accumulating issues from the mistakes and illegal actions, Brazil’s economy, slow and slow, walking to the recession of 2014. From the actual public expenditures, the primary spend involves; pension security, interest debts and higher public service salaries with established federal employees, even though most

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public services are considered inefficient and bureaucratic. The higher wage bills from government seems to be more as privileges for those employees than a fair manner of creating job opportunities for public or offering a quality service to the society, in this sense (Guedes, 2019), it looks similar to what happened in the Soviet Union in the past related to public employers, included that Brazil still has many state-owned companies that are marked by inefficiency or involved in briberies, as it was the case of Petrobras, Brazil's most important state-controlled oil company, which the last estimative shows that paid R$12 billion ($3 billion) in bribes, and involved top director of the company and high-level political figures, such as the President Luiz Ignacio Lula da Silva, who was arrested in April 2018 (Goertzel, 1999).

The country protectionism against global connection is also considerate as an important economic issue in Brazil, although the international trade has been growing since the government of Fernando Henrique Cardoso, the country is still recognized for being a very closed economy; it can be highlighted two main factors that contribute for Brazil lower international competitiveness; Government Ideologies, as mentioned, the prior government had a strong socialism ideology and seemed to prioritize only agreements with countries that share the same doctrines, instead of creating bilateral trade agreements with other developed or even emerging economies, that could strategically represent two-way benefits and boost the economy of Brazil (Pires, 2019).

Corporate tax is also an important issue in Brazil, for instance, nowadays, the 34 percent corporate charge has been demonstrated as a great barrier for local or foreign investors to open a company in Brazil. The higher tax is also a result of Brazil's higher current public expenditure, obligating the federal government to increase the income tax to cover its liabilities. Without a significant reform in public spending, it seems very complicated for Brazil to offer a competitive fee to attract investors (Guedes, 2019).

The Proposal Restructuring Plan to Boost the Economy

Although Brazil's economy had demonstrated periods with positive economic growth, it seems it has not been implemented a sustainable and organized program to boost the economic growth and improve the social quality of life, it probably inevitable that a country economic growth rates fluctuate, however, it is incontestable the first rule for the financial stability of an economy is the control of its total revenue coming from the income tax, increasing tax whenever the public expenditure grow does not seems a smart strategy, however, what can be perceived Brazil has been losing its control of public expenses year on year. The Brazil economic plan is based on two phases; first is to control and reduce the total public expenditure for about 20% of GDP, precisely what it was 40 years ago, at the military government. Reduce the federal spending involves since simple actions of selling public assets, for instance, plenty of building in great centers of the world used for embassies, political events or host politicians, until big challenges, as the reform of the security social program, which represents changes on new retirement rules increasing years of Brazilian people have to work and privileges for militaries and public employees, this reform is inevitable, according to Paulo Guedes, to change the trajectory of Brazil federal spending and recovery the economy enabling the government to create a condition for business and people prosperity by reducing its

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earning charges, furthermore enabling the implementation of the second phase of this restructuring reform., the market-driven reform based on economic liberalism (Guedes, 2019).

The agenda of the new economic plan includes decentralize and limit the power of federal government spreading to the states the responsibilities to decide the reasonable manner to use the resources from the income tax, marked by a liberal program, the new Brazil's government believes in the power of the market to promote to economic growth, and each states engaged to produce necessary reforms develop their local area considering its strength and weakness, according to Paulo Guedes, many illegal agreements and projects involving private and public business and even foreign countries, mainly because the president and members of federal government retain great decision power, without involving as much as possible the participation of the public members inhibiting the activity of legislating in personal benefits or for specific groups (Guedes, 2019).

The second phase of Brazil's restructuring plan, based on a free-market approach and connect the country to rest of world by implementing a great bilateral agreement program with the most strategically economy in word, the Brazil restructuring plan looks very similar to the policies implemented by the United Kingdom, and as Theresa Thatcher, the minister of Economy in Brazil, also had Milton Friedman as a great inspirer and mentor, Guedes adhered to economic liberalism at the University of Chicago, where he was taught by Milton Friedman (Stott & Schipani, 2019).

1º Phase of Brazil Economic Plan

Changing Trajectory

The first phase of Brazil`s economic plan intends to change the path of high public expenses. A cost review agenda was created exactly to explore potential public contract able to be eliminated without impacting the society services, thus approach has been demonstrated positive results to bring up unnecessary contracts made by the government several years ago generating expense, and in some cases no befits, a good example of wasting of public resources was found by a Minister of Human Rights, Damares Alves, in July 2019 an investigation of costing the with the storage of old suck airplanes from the Brazilian Air Force (FAB) found a govern pay annual R$ 700,000 ($155.000) to store an asset valued in R$ 1,000 reais ($219), this cost was immediately eliminated after this investigations, similar analysis has been done with every single public contract to find irregularities potential savings or cost reductions, however, three major reforms concentrate a large part of govern debt and has the potential to recover vital capital resources to public finance; social pension security reform, government interest debts and wage bill for federal employees. (Guedes, 2019).

These reforms are complex and once approved has a considerable and immediate impact on Brazilian finance situation, but has been presenting by the new government, as an incontestable move to recover the economy, however as a democratic country, this reform demands approval on congress, which working on producing essential analysis to these reforms, as well as attempt to mitigate the risks, this also means these economic reforms cannot be implemented straightway, but the benefit of its effects is to develop a consistent reform plan to bring a sustainable economic growth (Guedes, 2019).

Pension Reform

The pension security model adopted in Brazil did not provide the necessary resources to cover 100 percent of the required social benefits to its retirees, worse still the generous privileges distributed to public employees, which differ considerable to the ordinary workers, are responsible for putting Brazil close to the point of not being able to meet its pension obligation in a very near future. Several unsuccessful attempts reforms have been tried the approval on congress to correct the obsolete pension system. Meanwhile, the accumulated debt – billions of Dollars – has been creating a fiscal bomb about to explode (Mesquita, 2018).

It is an absolute hard issue for any government to change the consolidated law, and the only way to modify the pension system is by a constitutional amendment, as it part of retirement law engraved in 1988, the current model was implemented during the military government to the beginning of presidential regime. It works as a simple pay-as-you-go process: The worker pays tax, which is transferred to pension funds and then used to pay retirees. The clear objective is the expenditure be equal or less than income revenue to have a balance; however, as it was predict year ago, it is not an equitable tax process anymore, 2017, for instance, the government had a deficit of more than R$200 billion (US$61.3 billion) to meet to its pension obligation (Gamarski et al., 2019). Attempts were based on changing the system by reducing privileges for public employees and modernize worker's age according to an actual life expectance analysis. Even considering its complexity, which divides Brazilian opinions, which is mainly related to the impact of this reform for those eligible to retire soon or young citizens starting their working life, especially regarding the impact on the social working class. Frequently, the Minister of Economy, invites the congress to reflect and decide of two different intends; to sacrifice part of pension security for maturity workers now in benefit of a better economy or condemn the son and grandchild of this workers to a no pension benefit at all, and within a poor economic environment (Mesquita, 2018), the large preference for the first option was proved from Brazilian by the election of this new government, as well the support demonstrated by manifests to accelerate the approval reform on congress in the first year of mandate.

Uncontrolled Public Expenses

After the pension security system, the next higher public expenditures are interest debt and public employee wage bill. From the last five decades, Brazil has accumulated a public higher public interest debt, it reached R$ 4.24 trillion ($ 1 trillion) in 2019, which generated an interest rate of 445 Billion ($104.billion), this is a result of decades of mismanagement on public expenditures that obligated the government to borrow money from private sector domestically and internationally (Guedes, 2019).

The public employees also represent a tremendous cost, the first estimative consider there are more than 20,000 unnecessary positions on the government and 274 federal careers able to be immediately eliminated, but as the public employees have stability, which means they cannot be fired unless they cause an illegal activity, worse still analyses demonstrate the salary increase of public employees is higher than ordinary workers, but the contribution to the social pension security is lower, which resulting increasing government subsidies to cover their social benefits (Guedes, 2019).

The restructuring on Brazil's economic system depends on the approval of these structural reforms aiming to give to financial conditions needed to implement a model, where relieves the business and society the responsibility of paying more and more taxes to cover the increasing government debt coming from accumulated mismanagement and obsolete social programs.

2º Phase of Brazil`s new Economic plan

Market-Driven - Introduction

According to economic specialists, much foreign business has held back from operating in Brazil until the first phase of the reform proposed is approved by the congress, viewing it as a test for whether Brazil's government and his team would be able to implement the ambitious plan, it believes these reforms will give more confidence in Brazil market, resulting in an expectative of lower risk to invest in the country, nowadays the economic risk is higher than other emerging countries, such as China and India, as emphasized by Paulo Guedes, these urgent changes in Brazil`s economy justify one year of the first mandate from the new government presenting the reforms to the congress, but as mentioned, recovery the financial health of Brazil`s economy is just the beginning of plan proposed, to create sustainable economic growth, the next step is the implementation of the strategic market-driven model, having the establishment of bilateral agreements with strategic countries to foment Brazil's economic and social improvements, as well as tax and labor reforms, and investing in infra-structures required to reduce the business operation cost attracting more and more domestic and foreign investors(Guedes, 2019).

Global Connection

The plan is to foment the international expansion of one of the world's most closed big economies, signs of this new approach can be seen for the slashing of import tariffs on more than 2,300 products and exposing local industries, long accustomed to protectionism, to the challenges of free trade, as the president Jair Bolsonaro Said "We seek to integrate Brazil into the world better"... Furthermore, eliminate unfair trade practices and uncertainty for foreign trade flows" (Trevisan, 2018). In his speech at the World Economic Forum in Davos, Mr. Bolsonaro promised to lower the tax burden to make the country more connected with foreign trade. William Jackson, a chief emerging markets economist at Capital Economics, agreeing with Mr. Bolsonaro's speech mentioned: "Trade liberalization will be a priority, something that should help to support Brazil's longer-term growth prospects" (Landler, 2019).

The plan can be split into different phases; however, the initiatives to create an open market economy have been started to be negotiated in parallel to the other reforms, it can be seen several agreements approved or under negotiations with foreign markets, for instance, in June 2019, the trade pillar of the EU-Mercosur Association Agreement was signed, the contract was being under negotiation for 20 years (European Parliament, 2019), and after a strong influence of Brazil's new government, the free trade agreement (FTA) is finally a reality, which expects to represent opportunities for Mercosur to re-vitalise its global trade strategically (FT Reporters , 2019).

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Tax Reform

The reform of the Brazil tax system has been a critical agenda for a long time, due to its complexity model and higher charges on good and services, serving as a barrier for local business growth, preventing investments from foreign business, as well as avoid the society to have access to modern technologies, goods, and services.

Paulo Guedes presented a reform based on the value-Added tax system used by the European Union, the main idea is substituting different types of tax for only one individual burden. The tax system in Brazil is set up on Federal, state, and town levels; basically, there are twelve different forms of charging business and citizens, and depending on the product or service, the tax aliquot can vary significantly (Asquith, 2019). This contentious plan aims to simplify the nation's byzantine tax system, according to Guedes, there are important issues that a change of Brazil's actual tax system should solve, first the tariffs for international investments, which impair the economic growth directly, second, it is extremely bureaucratic, which makes the cost of paying tax in Brazil a really higher, and finally the litigious between taxman and taxpayers is probably one of the highest in the world because the way the system was created generates conflicts of jurisdiction between the federal government, states, and municipalities; the new proposal also defend the creation of a committee formed by the three government spheres to manage the income tax comes from a unique fount (Guedes, 2019).

METHODOLOGY

Research Methodology – Introduction

For the researcher to be able to get these women entrepreneurs into the discussion where they can express their experience of entrepreneurial challenge in the UK, The researcher adopted a qualitative research design for this study. Using purposive sampling method; a set of demography criteria formulated by the researcher were used to select the First 2 women entrepreneur that participate in this research from the data base of Lionesses of Africa, a website that updates the list of top African women entrepreneurs in the world. Using the same set of demography criteria by the researcher; the accessed participants, then help through networking and snowballing to recommend the other 5 businesses run by Nigerian women entrepreneurs in London for the researcher to contact via email and seek their permission for an interview session. The data collected were thematically analysed using NVivo. Research is described as a logical and organized search for something new, this novelty also includes a useful re-usable idea, which probably is the case of this project (Dr. Misha & Dr. Alok, 2017). Despite the economic system here discussed being very popular worldwide, it seems to have a critical discussion considering the new changes in the economy object of this study, Brazil. The research will be built to answer two fundamental questions: first, is Brazil able to improve its economy by changing its economic system into a market-driven model? Secondly, considering an affirmative answer to the first question, how is market-driven help to improve Brazil`s economy.

This chapter aims to demonstrate the pathway the research will be conducted to answer these questions evidently, generating enough theory enabling to make some recommendations for this

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plan, as well as evidencing any limitation of lack of relevant information available, which prevents a finding or conclusion for this study.

The research methodology is an organized form to describing how the data was collected and which techniques were applied to support to research object. The type of research themes and purposes vary significantly, and It will be seen that a method to demonstrate the main features of research can be grouped according to the level of information available to prove a theory, in this sense this report is based on the onion methodology research, as the name suggested, this method consist in splitting the process of investigating by phases, as layers of an onion, from the more abroad to a specific, it contributes to organizing the research project in a logical structure, to increase the level of comprehension and consistency.

The onion research method is part of the book Research Methods for Business Student by Mark Saunders (Mark, et al., 2015). it is used five steps to represent the data collection methodology, the following topic it is analyzed each layer of the onion.

Research Methodology

The methodology approach adopted in this study was the positivist, as it seems to be more appropriate to provide the answer to the research question, this method consider the observation and interpretation of the data collected to answer the research question; furthermore, it depends on quantifiable information concentrated on prior facts that will enable to produce statistical analysis to explain and predict the impact (Mark et al., 2015).

In this sense, based on prior economic policies adopted by Brazil, this research aims to produce enough information to explain the currents issues the economy has been faced, as well as predict the expected results the new economic plan might have if successfully implemented. This research used the deductive approach as it aims to evaluate the liberalism economic system within Brazil contributes to the boost economic growth righter than a protective and interventionist approach by creating hypotheses to analyze using the historical and potential economic impacts critically. The research strategy demonstrates the method used to collect and analyze the data; it is divided into qualitative, which represents the non-numeric information obtained by interviews, videos, audio recordings and images, and quantitative research, which is based on the analyze of numbers to produce a valuable and rational conclusion, which involves critical thinking to support or reject the formulated hypotheses (Mark, et al., 2015).

Based on the idea that it is impossible to cover every element of research completely, it seems essential to critically evaluate the impact of the found limitation has on research findings. It is probably will minimize the range of constraints to be considered, as it seems clear that it is essential to include only that limitation, which significantly impacts the attempt to answer the query research question meaningfully (Naoum, 2012).

Most of the relevant information from historic economic policies from Brazil, especially from three decades onwards decades are available only in media from Brazil (Portuguese language), without translate into English; those could prevent further analyses from non-Brazilians. It would probably be better to include authenticated translation of those documents to underpin the research in the future.

The lack of formal documentation of Brazil's restructuring economic plan limited the analyses some reforms proposed by the government because those proposals are still being written by the federal government, for instance, it was challenging to find consistent details related to result from expected saving after the reduction with 25 percent of public employees, there are different numbers mentioned by media and interview from member of the party, which need more time to investigate and product accuracy numbers.

DISCUSSION AND RESULTS

This paper presents a conjunct of economic statistics, as well as analysis from relevant data available publicly. The primary purpose of the paper is to provide information from Brazil's historic economic growth and several commercial initiatives from the last four decades that culminate in brutal modest and slow economic growth until a big recession of this emerging country.

Brazil Gross Domestic Growth from the last 54 years

The chart below demonstrates Brazil's economic growth for the last 54 year, and it can be perceived the higher economic growth from 1968 to 1974, this period is marked by a sharp increase of exportation, mainly from agriculture products, such as coffee, soya, sugar, cotton, cocoa, and meat, the price of the products went up in the world market at that time. Brazil was very competitive in this industry. Known as the "economic miracle," Brazil saw its economy to grow an average 11 percent a year, under the military government, the government of the country used to say that time they defend a free market and less intervention of the state, which resulted in significant foreign investment in the country, improvement in infrastructure and development of the industry (Napolitano, 2018).

The first decline after this "economic miracle" appeared in 1974, driven by the oil shock in 1973 increasing Brazil's import bill, as the oil prices quadrupled, it undermined the performance of exportation; however, the government decided to continue the strategy of investing in exportation by varying the products commercialized internationally, notwithstanding also spending on increasing self-sufficiency reducing the import bill to control trade balance, thus, despite the world recession, seems to be main reasons why Brazil was able to manage to grow on average 6.9 percent annually till 1980, however, the expansion was financed by extern capital. The country saw its external debt rose from US$6.4 billion in 1963 to US$54 billion in 1980, but the government was confident the trade would cover the repayment of foreign debt (Kilborn, 1983).

In 1979 another oil shock doubled the price to import oil to Brazil, and the interest rates rose worldwide, thus increase the problem to control its trade balance; however, the government did not change its strategy of trying to control the trade by investing in exportation by borrowing foreign resources, thus culminate massive problem with international debit around 1980, demanding an urgent decision from the government, the initiative was to keep the investment of exportation and reduce the importation, the strategy resulted in negative economic growth in 1981 of 4.4. Only from 1983 on, the government plan of industrialization to reduce import finally bring positive results to the economy, enabling to pay an important part of foreign interest, which can be perceived on the economic growth of 1984 (Schneider & Martins, 2020).

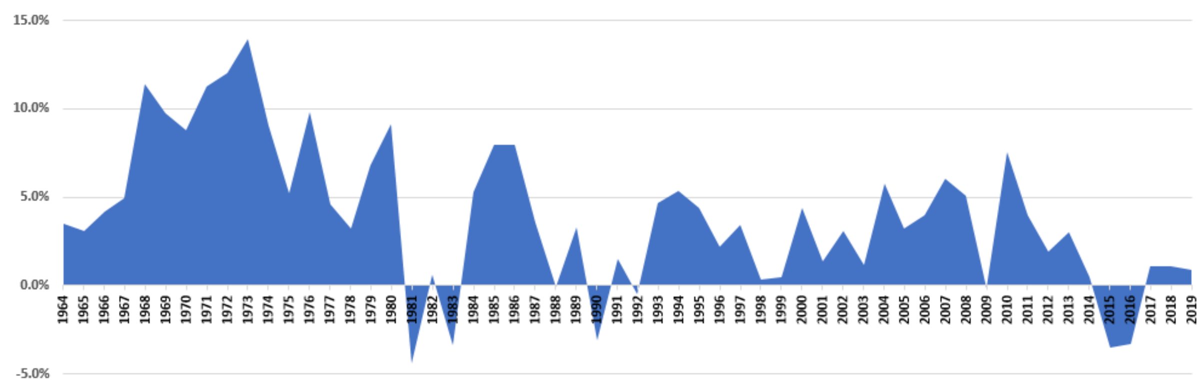
The great author of government strategy in mid-80 was the stated-owned companies that had active participation on the government strategy of reducing importation by industrialization development, the protectionist policy restricting imports foreign products, for instance, there was a severe restriction for business and people buying computer and software from other countries, it is considered an essential technology for the development of a country, that restriction was primarily criticized by economist worldwide; furthermore, the state-owned business was forced by the government to borrow external money, thus increased their debt, and as they were not allowed to bankrupt, it transformed the public debt into a significant economic problem, especially after 1982 when, due to international issues, Brazil's lost the access to foreign financial markets, demanding from the government a different strategy to recover the economic (Schneider & Martins, 2020),

From 1985 to 1989, which was marked by the end of the military government (1985), the country was facing hipper inflation driven mainly by a combination of two main issues: exchange rate devaluation from the government plan and the massive growth of the public deficit. The situation became desperate, and the three projects were implemented in the attempt to control the inflation: the Cruzado Plan (1986), the Bresser Plan (1987), and the Summer Plan (1989), at first the plans brought immediately good results, as it can be perceived by economic growth from 1986 and 1987; however, the procedure demonstrated not to be sustainable, and Brazil faced hyperinflation again. Furthermore, the government distributed several subsidies for various segments without plan properly its income tax; the combination of higher inflation and the public debit caused serious finance problems resulting in a low economic growth that extended till 1992 (Considera, 1998).

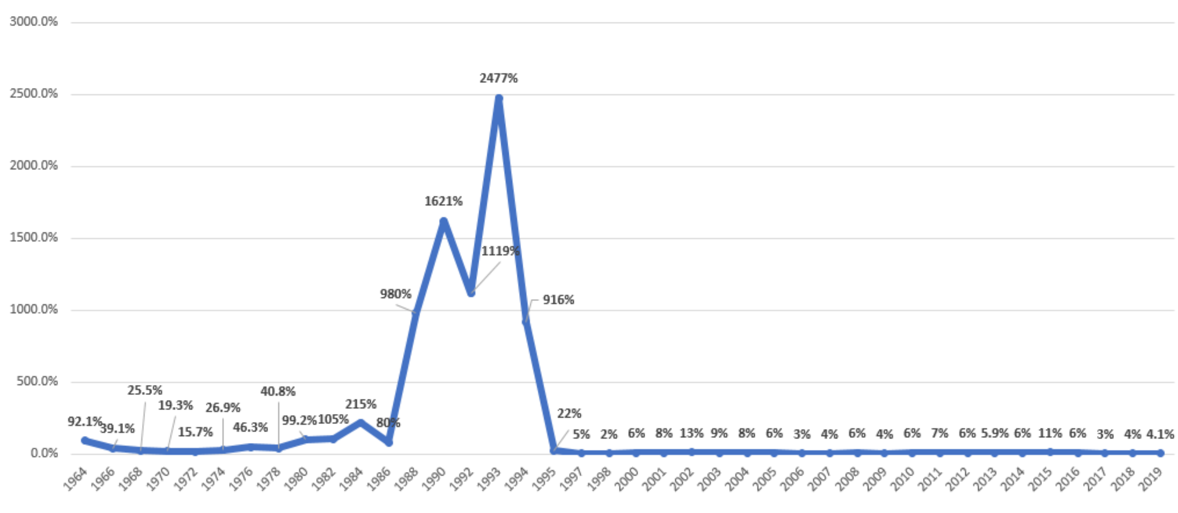
In 1993 even with the higher inflation of over 30 percent and more senior public debt, the economy grew at 4.7 percent, but at that time, it was clear that a fiscal reform was necessary to control the inflation; otherwise, the economy would not sustain its positive growth. In 1994, the still minister of finance, Fernando Henrique Cardoso developed a real plan, based on the equilibrium of federal government budget, the introduction of a new currency (real) linked to the dollar, being implemented at the beginning of 1994, the result of this plan was perceived in the same year and considered by economists as very technically consistent plan, as the Real Program finally eliminated the inflation (Napolitano, 2018).

The Brazil government active economic intervention and challenging to control the inflation made the foreign investor become more risk-averse to the country, thus in combinations of its increase of public debt, by giving benefits to military and federal employees, and lack of necessary of reforms to promote the economic growth, culminate in modest growth, from 1994 to 2018 the country grew an average 2.5 percent, even though it showed a promising increase from 2004 to 2011, during the time the left-wing party governed the country, where it was found later that government was involved in one of the biggest corruption scandal involving state-owned companies including borrowing money and making illegal agreements, the government working for personal interest or for the other countries with the same ideology instead of making the necessary reforms to boost the economic development, which seems to be reasons why Brazil`s have been presenting modest economic growth (Napolitano, 2018).

The analyses of economic growth show the economy in Brazil faced significant challenges politically and economically; it is hard to say whether the strategy to foment the economy using foreign capital to increase the industry was correct; however, the higher debt heritage from this plan, and raised by the failed projects to control the inflation left a higher government debt that added to privileges distributed by the government throughout history and other social problems it seems to prevent the growth of the country (Guedes, 2019).



Brazil Economic Growth Rate (1964 – 2019) Source: (World Bank national accounts data, 2019)



Brazil: Inflation rate from 1984 to 2024 Source: (World Bank national accounts data, 2019)

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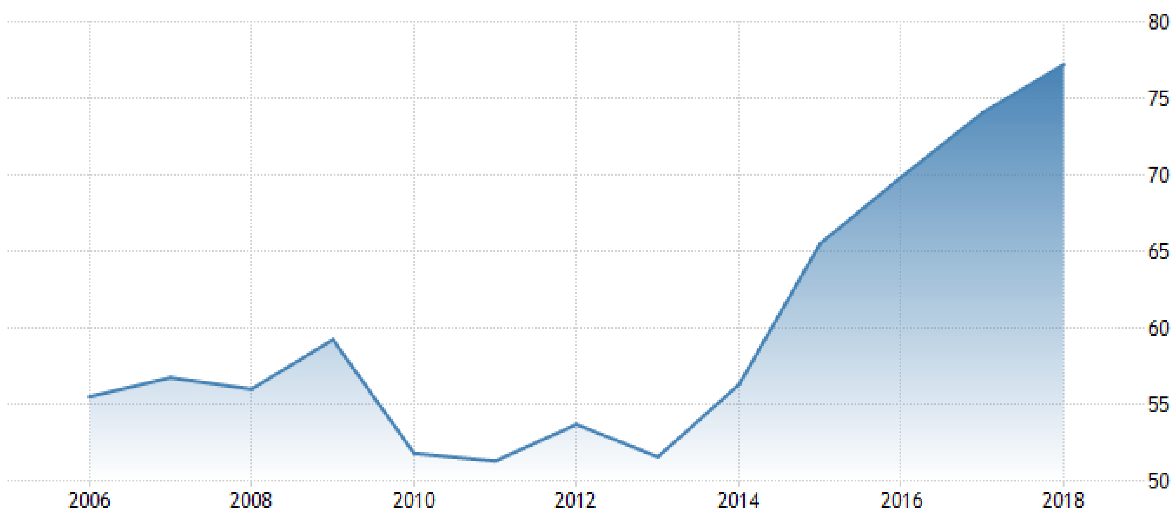
First Phase of Brazil Restructuring Plan

Brazil Government Gross Debt to GDP

The chart below shows the Brazil government debt related to GDP since in 2006, the country achieved the highest percentage of gross debt to GDP in 2018 with 77.2 percent, the main issue, according to the Minister of the Economy, this spending do not represent any economic or social improvement, but significant part of this current cost refers to the historic government issues in public administration or control the inflation or subsidies distributed to the federal employees, The three primary holders of total government are pension security, wage bill, and interest of the debt. The success of Brazil`s new economic plan seems to depend firstly on solving the inherited higher domestic debt accumulated on the last four decades of doubtful strategies to boost Brazil`s industry fostering the economic growth, and this will allow the government to implement the second phase of the reform based on market-driven approach (The World Bank, 2019).



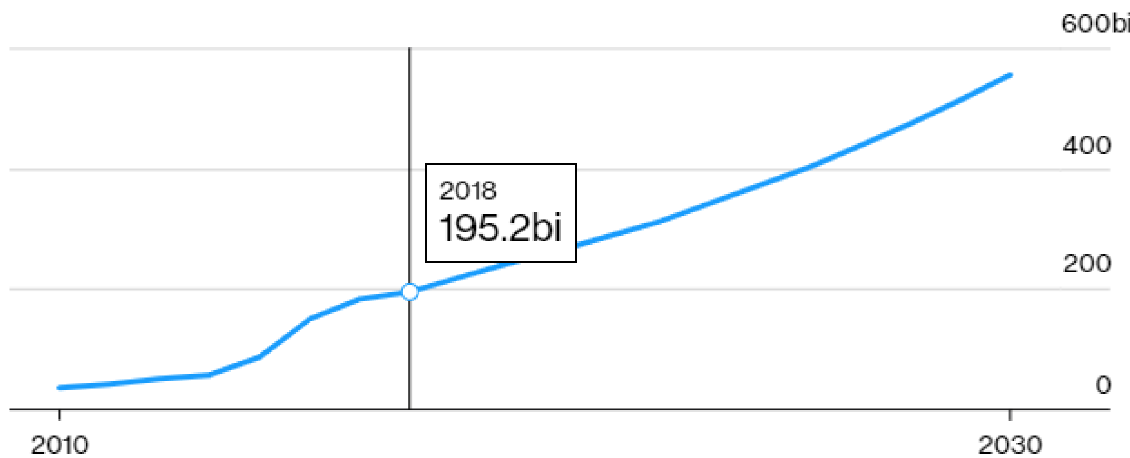
Brazil Government Gross Debt to GDP, Source: (Trading Economics, 2018)

Impact of Pension Reform on GDP

The annual deficit in pension security in Brazil in 2018 accounted for approximately 195,2 Billion in 2018 (45,23 Billion Dollars) this represents a total of 13 percent of the GDP (Gamarski, et al., 2019), this expenses should be paid by income from workers, however, a combination of rapid aging of Brazil's population and the increase of the life expectancy, this system has been proved financially unsustainable, and the country has been accumulated and increase deficit on pension reform, worse still with the privileges distributed for militaries and public employees, the chart below shows the gap in 2018 of R$ 195.2 Billion

Reais (46 Billion dollars), which means the federal had to cover approximately 38 percent of the pension security reform, this represented 3.7 percent of GDP in 2018, as it can be seen on the chart below, this deficit could probably achieve over R$ 556 Billion Reais until 2030 (131 Billion dollars) without any plan to disarm this time bomb (Gamarski et al., 2019).

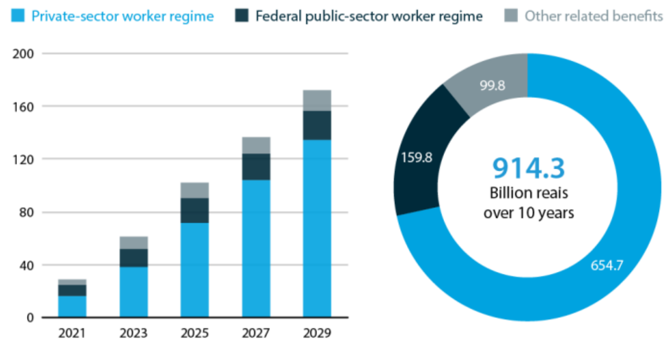
Price of Getting Old



Brazil Pension Deficit in Billions of Reais , Source: (Gamarski, et al., 2019)

Pension Reform Approved On Congress

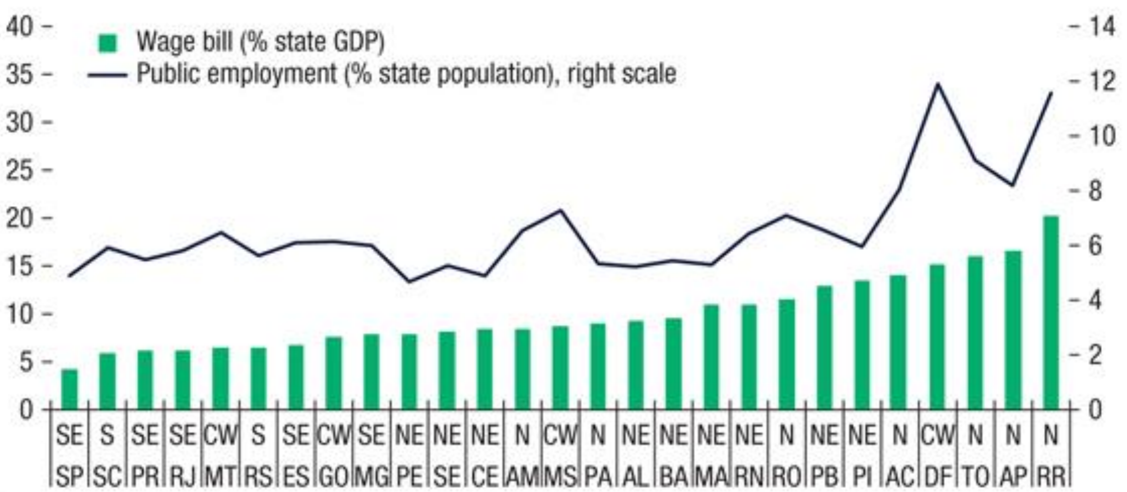
Being considered the most significant reform on Brazil`s first phase economic package, it was one the first official document presented by the Minister of the Economy on the congress in Feb 20, 2019, as a form of providing support evidence, Brazil`s citizens made several protests requiring its approval, which was considered by the minister, as a high signal of a maturity country, his understanding is when a reform that will directly affect approximately 72 million individuals between public and private sector workers, receives from the population such excellent support, it demonstrates country`s commitment and citizenship, so essential to moving the country forward into positive progress, thus seems to active contributed to its majority of nearly 80 percent of the member of the senator in Brazil, who were the last approver of the pension security reform before is to become a law, to approve the plan that aim to saving approximately $197 billion over the next decade, this approval from Senators is inclusive higher than the deputy members, responsible for the first approval on the congress, it demonstrated the awareness from Brazil`s population of this urgently required modification, as a member of the government, "The Brazilian Congress has passed the most significant pension reform in history, said the President of National Congress, Senator Davi Alcolumbre (Marcello, 2019). The chart below shows the forecast of the government deficit with pension reform for the next decade; it can be seen the country will be able to save approximately $914.3 Billion ($215 Billion), this first and vital approved reform seems to give to government the necessary combustible to continue its hard trajectory into the other essential improvements.



Brazil: Expected Fiscal Saving from Pension Reform (Billion Reais), Source: (Oxford Analytica, 2019)

Impact of Public Wage Bill on GDP

The government expenditure on compensation is probably another barrier for the growth of the country, in 2018 it reached 13 percent of the GDP, it also represents the second-largest cost on Federal government, from this total nearly 75 percent of the wage bill comes from the states and municipal government employees representing 85 percent of government employees. The wage bill varies from state to state, the figure x, show the government spend by state, it can be the higher discrepancy between countries such as Sao Paulo (SP), which less public employees than Roraima, the studies show that wage in Brazil is higher than the average bill in advanced economies, emerging countries and even in the other Latin America countries, as it can be seen bellow (Karpowicz & Soto, 2018).



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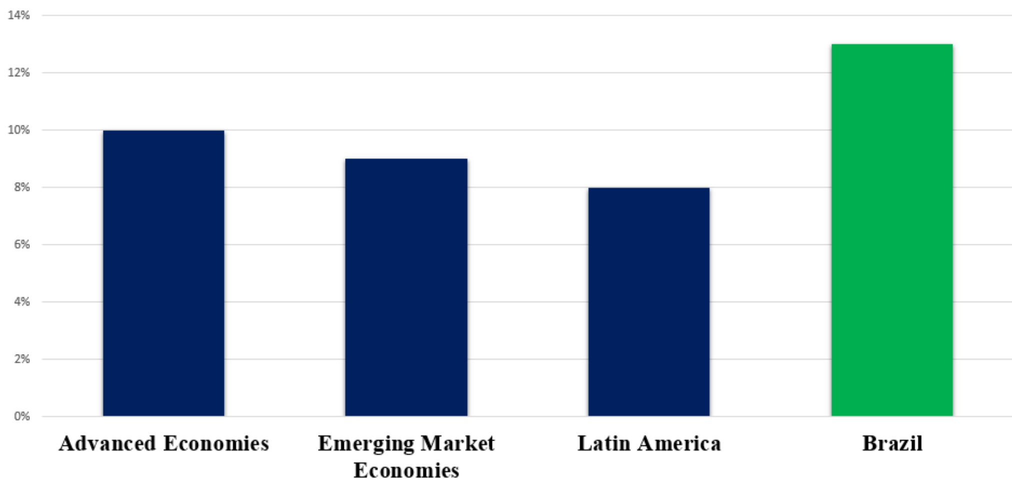
Government Wage Bill and Employment, Source: (Spilimbergo & Srinivasan, 2018)

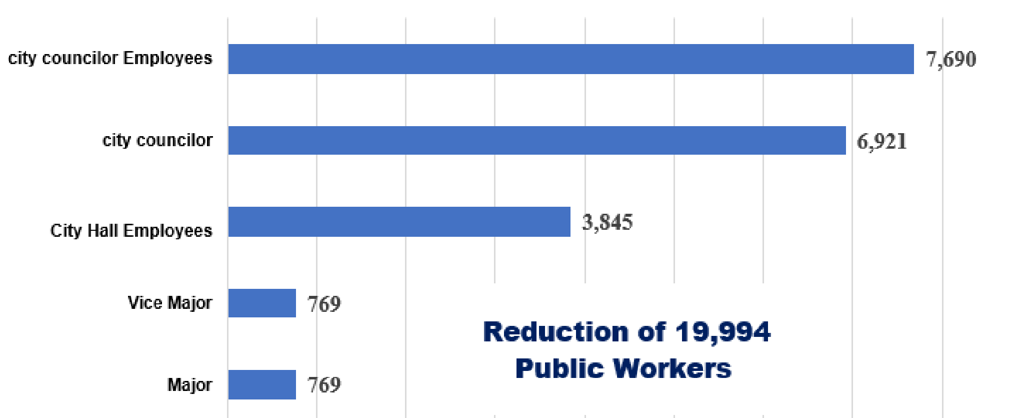
In the last decade, public wages increased by 45 percent, while the private sector had its wages increased only by 25 percent (Spilimbergo & Srinivasan, 2018).



Wages differences among economies Source: (Spilimbergo & Srinivasan, 2018)

Public Employees Reform proposed

The plan includes a sequence of initiatives to enhance the quality of the public services, reducing bureaucracy and eliminate unnecessary job positions on the government (Scalzareto, 2019), the first initiative already under approval on the congress is incorporated municipalities with less than 5,000 habitats into their neighbors, and it could automatically reduce nearly 20.000 public employees. 40% of federal employees will retire in the next five year, and the government plan is to invest in technologies to automatize and eliminate some redundant services, thus will permit not replace those federal worker enabling the government to reduce at about 20 percent of the wage bill (Guedes, 2019).



Brazil: Plan to Reduce Federal Government Source: (Mali, 2019)

Impact of Interest of Debt on GDP

Since the first oil shock in 1973, where the government kept its strategy of developing the industry borrowing capital from abroad, the external debt has increased considerably, as it can be perceived on the chart below, especially from the period of 1973 to 1981, this period was also characterized by active mismanagement and intervention from the government on the economy by distributing subsidies to state-owned and private companies using the public bank, at first the strategy was a success, as the economic growth cover the public debt, however, after 1975 the economy started to decline and the inflation almost doubled, thus made very difficult for the government to control its debt, even though from 1981, the government began to reduce the need for foreign capital, the period from 1981 – 1994 was characterized by an intense stagnation of Brazil`s economy. The external debt increased as a reflection of the debt crisis following the international higher interest rates, and the crisis was aggravated in 1979 after the second petroleum crisis (McGeever, 2019).

Plan to reduce interest Plan

The plan of the government to reduce the interest is to pay the principal debt, thus results not only in significant saving for Brazil to reinvest in programs to boost the economy, but it also shows to the market a lower risk to invest in Brazil`s market. The government presented a plan in November 2019, to pay approximately R$ 227 Billion Reais ($56 Billion), the total government debt still represents a considerable amount of 5.5 Trillion Reais ($1.37 Trillion) (Guedes, 2019); however, this initiatives of starting paying the debt shows a better control the public expenditure.

The privatization of state-owned business is an important initiative the reduce the government debt, the study from the government shows the country has over 800 billion reais ($214 billion) in asset able to be sold, it would allow the government to reduce considerably the debt, as well as increase the investment in social programs, as stated by the Government`s special secretary for Privatization, Divestment and Market, Jose Salim Mattar Junior, “If we reduce the debt, the amount of interest we save annually will allow us to increase expenditures in education and health,” (Bautzer, 2019).

It can be seen that Brazil’s new government has an essential list of reforms to be implemented in the next three year of their mandate, those reforms are vital to recovering the country financially, it’s also probably correct to say that the implementation of the ambitious economic plan based on market-driven to reach a competitive economy in 5 or 6 percent of GDP, as the second phase of Brazil`s proposal refers, would be only possible if the government conclude those reforms successfully.

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Second Phase of Brazil Restructuring Plan – Free Market

Brazil to Expand the Trade Internationally

Despite being the eight largest economies in the world, Brazil still has a very closed economy compared to the other large economies, the chart below shows the international trade of the top 20 economies in the world, it can be seen, for instance, that the foreign trade of Brazil is roughly the same of Norway, however, Brazil's population account for 210.1 million people in 2019, while the population in Norway is 5.3 million people (The World Bank, 2015), this example seems to demonstrate how closed Brazil's economy is, also it shows the necessity of the country in vary the goods and services to be exported, improving its industry and technology innovations, to be able to expand internationally with products with higher aggregated value. On the order hand, the main barriers of importation in Brazil seems to be tariffs for foreign products, which making local products more affordable, nowadays the duty for the imported product is in average 60 percent (Trevisani, 2018), which makes the final price twofold for the consumer in Brazil, worse still if there are import/export business intermediating its purchase process, most common when the seller has not branded in the country, thus, in combination with Brazil`s fiscal and labor complexity laws the local and foreign business face operating in the country, resulting in weak demand of investors to perform in the in-country.

The lack of attractiveness is demonstrated from the position of 129 occupied by Brazil out 190 economies, the study conducted by The World Bank`s 2019 Easy of Doing Business Report, the main reason for its lousy position was also highlighted by another study conducted by Credit Suisse in 2016, which shows Brazil the most closed economy among emerging markets, the primary drives seems to be the confusing regulatory environment, which is ironic, considering the excess of staff of public employees, US companies often mentioned that is hard to do business with Brazil due to its complexity fiscal and political law, higher tariffs and very confusing tax system, and worse still for the country definite absence in seeking new trade deals observed in the last few years, this was mentioned to be the most related of the ideological socialism and left-wing thinking from the prior government in power for that last 16 years ending in 2018. The study shows that the average trade chain of emerging countries represents 60 percent, while Brazil accounts for only 18 percent (The World Bank, 2020). The chart the main drives lead Brazil to a bad position on a ranking of doing business.

What seems to be clear, however, is that open the market is not a simple decision from the government, including necessary reforms mentioned, it is also required some changes in the country to improve the conditions of operating in Brazil, as stated by a Chief Executive Officer, Marcos Lutz, from a big company operating in Brazil, it is necessary to invest in Brazil's infrastructure and logistics to promote competitive domestic business able to compete fairly with foreign trade, according to him a long period of protectionism made local companies fragile to dispute equally with marketing from other developed economies (Freitas, 2019).

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Brazil Ranking of Doing Business Source: (The World Bank, 2019)

Brazil Restructuring plan based on Open Economy

It is necessary to stand out the importance of the Minister of the Economy, Paulo Guedes, on the implementation of this robust plan of change the economic system in Brazil, from a very closed economy, marked by centralized power of federal government allowing them to strong influence its domestic commerce, into a more liberal and driven-market economy, based on increase the ownership of the states and municipals, the agenda to expand Brazil's economy internationally includes a fiscal reform, especially corporate tax, conduct strategically international trade agreements and financial negotiations with foreign countries and make the necessary domestic investments to improve the industrial, commercial and services competitiveness (Trevisani, 2018).

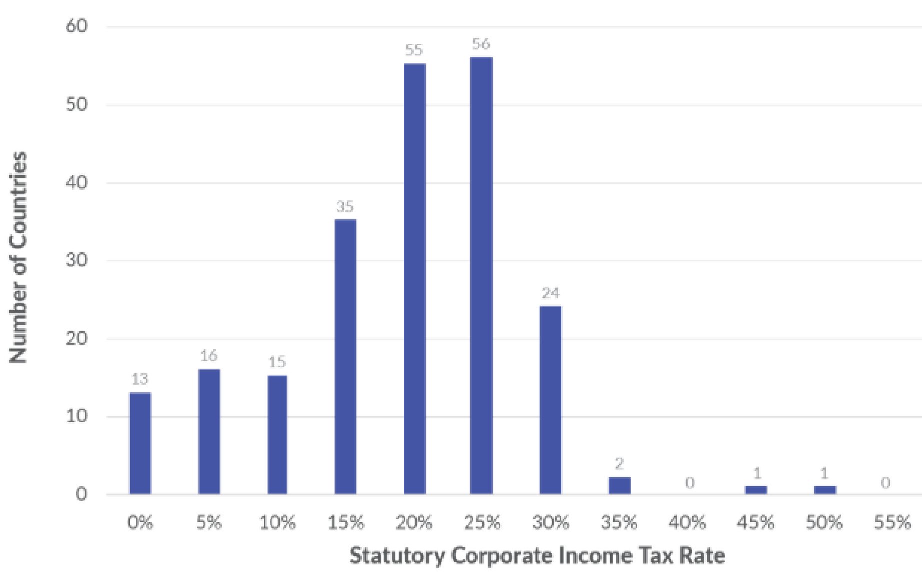
Fiscal Reform

As soon the security pension was approved on congress, the government announced the proposed tax reforms, the scope includes the simplification the current complex taxes system into a single federal value-added tax (vat), even though at first the proposal does not intend to reduce the total charges, this changes will less red tape of the process of paying taxes in Brazil making the business saving in technologies and workforce to accomplish to tax process, not only fiscal system, for instance, if a company wants to implement in tax model in the accounting system, it needs to be prepared to face a very complex, time-consuming and costly project. widely used globally, the proposal of the new tax system would make the process of open a business from a domestic or foreign investor much easier (Ernest Young, 2019).

The proposal includes the reduction of tax for imported technological products from 16 to 4 percent, thus will increase the access from business and consumer to new technologies stimulating innovations, as well as increase the competitiveness, according to Secretary of State for International Trade, Marcos Troyjo, the main objective is to give business access to advanced technologies to improve the competitiveness. In 2019, the government first-year mandate, it was reduced tax for more than 2,300 imported products, the approval of tax reduction, was based on Brazil's law that allows reducing the burden of products not produced in Brazil or Mercosul (Argentina, Uruguai e Paraguai) (Trevisan, 2018).

Corporate Tax reform

The chart shows the distribution of corporate tax rate for 218 countries in 2019; it can be seen the vast majority of the states have the corporate tax up to 30 percent and 61 percent or 134 countries up to 25 percent, There are only twenty-eight countries or 13 percent of the total with tax rate over 34 percent, the second chart below shows the top 20 countries with the higher corporate tax, Brazil occupied the 16º position with a huge corporate tax of 34%. In an interview in Washington, Minister Paulo Guedes argued that it is one of the main barriers for Brazil international to increase its trade internationally, as an emerging country it should follow the competitive corporate around the world, he mentioned inclusively that if the United States has a low 21 percent tax, which is the current tax in the country since 2018, Brazil should be the same or even less to attract investor all of the worlds, the government intends to reduce to 20 percent the business corporate. (Tax Foundations, 2019)



Distribution of Worldwide Corporate Tax -2019 Source: (tax Foundations, 2019)

Country	Continent	Rate
United Arab Emirates*	Asia	**55%**
Comoros	Africa	**50%**
Puerto Rico	North America	**37.50%**
Suriname	South America	**36%**
Chad	Africa	**35%**
Democratic Republic of the Congo	Africa	**35%**
Equatorial Guinea	Africa	**35%**
Guinea	Africa	**35%**
Kiribati	Oceania	**35%**
Malta	Europe	**35%**
Saint Martin (French Part)	North America	**35%**
Sint Maarten (Dutch part)	North America	**35%**
Sudan	Africa	**35%**
Zambia	Africa	**35%**
France	Europe	**34.43%**
Brazil	**South America**	**34%**
Venezuela	South America	**34%**
Cameroon	Africa	**33%**
Colombia	South America	**33%**
Saint Kitts and Nevis	North America	**33%**

Top 20 Highest Worldwide Corporate Income Tax Rates, Source: (Tax Foundations, 2019)

Reduce Tax on Labour Cost

The companies in Brazil pay in payroll tax an average 96,75 percent, paying the nearly one more salary of a professional in charge has been considered for decades a vital driver on Brazil's higher unemployment rate. Furthermore, it works as a barrier to attract investors to open a business in the country, the study from the Valor Economico, the most important financial newspaper in Brazil producing economic analysis and reports of the country economic situation, reveled that Brazil has the highest payroll tax among 90 selected countries (Machado, 2019).

The package of the fiscal reform also includes a reduction in payroll taxes, and it was approved in November 2019, a program to stimulate the business to hire youngers and adults over 55 years old by reducing in 30 percent labor taxes. (Guedes, 2019)

Multilateral Agreement

During an interview for The World Economic Forum 2020 in Davos, Brazil's Minister of the Economy emphasize that it is not only an opening the economy and giving free trade everywhere, but conduct the negotiations strategically and responsibly, in a way that represents an increase of competitiveness for

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domestic business, as well as bring new technologies and innovations for local consumers with higher qualities and reasonable prices and not twofold or threefold more than they are sold outside Brazil (Amaro, 2020), in this sense, Guedes, seems to demonstrate awareness and responsibility to conduct successfully the negotiations of reducing some import duties and negotiating free trade agreements (FTAs) at the same time of improving Brazilian export competitiveness, according to Minister, it just does not make any sense Brazil being an eight large economy in the world occupying the 124º position in the ranking of easy to do business, the plan is to reduce this position for a 15º or less by simplifying the tax system and reducing the cost for the domestic operating company and then giving the conduction for local industry to compete with foreign markets while negotiating with strategic foreign economies to increase the trade internationally.

The government has shown several examples of its new strategy approach to improve the trade globally, for instance, the Mercorsul deal was closed in 2019, and there is a high expectation of closing the free trade agreement with the European Union as part of the Mercosur group, the same way Brazil and China have been negotiating a free trade deal. The negotiation is advanced with Japan, Canada, and South Korea. The United States has been signalized its support to Brazil's new economic plan, even during the campaign of Jair Bolsonaro to become a president, the support was well demonstrated in January 15, 2020, when the United States backs Brazil to become a member of the Organization for Economic Cooperation and Development (OECD), after being accepted the accession process takes at least a year, however, if completing the standard of membership, as an OECD member, Brazil will potentially be more attractive for foreign investments (U.S. Department of State, 2019).

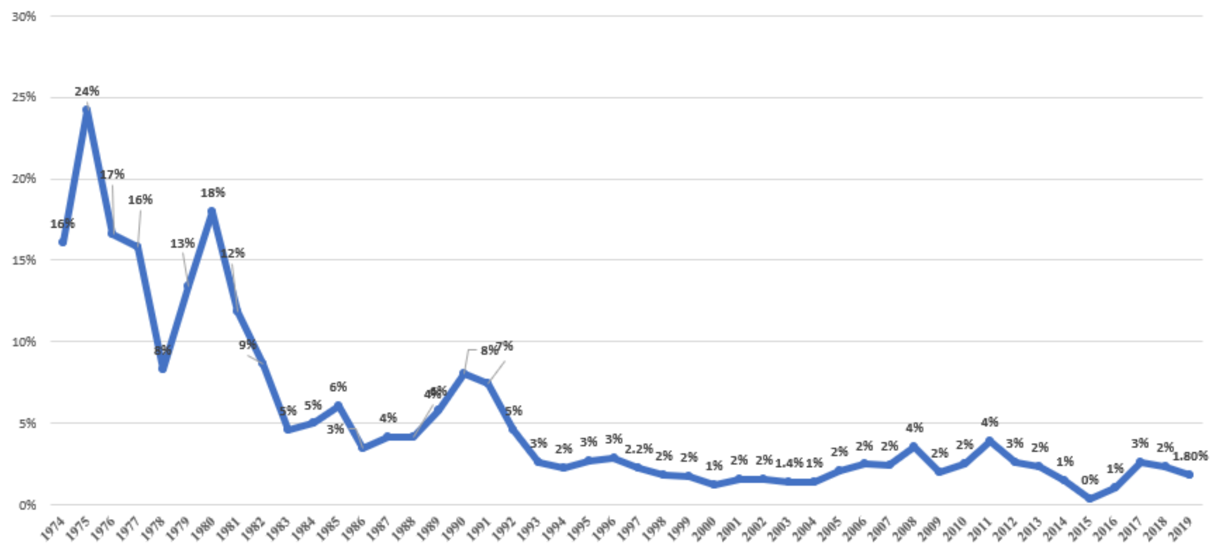
The Economic Impact of Liberal Policies in the UK

Approximately 40 years ago, the United Kingdom starting a significant change in the way its economy was organized, until the present day openness to trade, deregulation, and free competition had been marketed to the UK`s economy. The great author of this change is Margaret Thatcher at the beginning of the 1980s, by having the Milton Friedman as her closed adviser and a great supporter from the US president in the mandate, Ronald Reagan, Thatcher's ideas were later being recognized to transform the whole British politics (Pettinger, 2018); furthermore, her firm belief that the government has no competency to run a business efficiently, but it would be better promoting beyond market fair competition, helped to launch a revolution within the UK economy and then globally, some argued that it helped to bring an end to the Soviet Union command model.

The main impact on the UK`s economy after implementing a liberal reform was the control of inflation, public expenditures, reduction of government and trade union power, and expand the market globally (Beckett, 2017).

Reduce inflation

The plan running at around 25% in 1979 after periods of 20% plus in the late 1970s, the government`s monetary policies headed by Thatcher to reduce the inflation worked perfectly and after 40 years in can be seen the UK still have the control of its inflation, with average 3.0 percent (McSmith, 2013).



UK: Inflation Impact after Liberal Reform Source: (World Bank national accounts data, 2019)

Reduce the power of trades unions

In the late 1970`s several days a year were lost through strike organized by associations, the Teacher reduced this with the support from national press and other media against the persuasive power of trade unions, which generally was supported by labor government, thus according to Margaret Teacher, worked as a barrier for industrial improvements, many argued that a reduction of trade unions was the critical driver for British to generate its economic revolution (Pettinger, 2018).

Increase the efficiency of the economy

The reform in Britain in the 1980s is probably the main driver of the growth between 1992 and 2008. The transformation of business rules, including less influence on the market, and the lack of government subsidies created a more competitive environment (Larry Elliott, 2013).

The Thatcher policies, especially with the emphasis of enhancing business competitiveness with great focus on deregulation of markets were indeed a proper structural adjustment necessary to give the industry ownership to create its plan of development, and it seems clear that this process demands time for the business to adopt the new model, which can be perceived by its increase of unemployment rate and slow growth; however, this change has proved later the tremendous response for Britain sustainable economic growth (Larry Elliott, 2013).

During the mandate of Margareth Thatcher, the government expenditure declined from 43.6 percent, which is similar to Brazil`s current government debt of 45 percent of GDP; on the implementation of the plan, the government was able to cut its expenditure to 26.3 (McSmith, 2013).

Expand the Internationally Trade

Margaret Thatcher was considered an expert in the free-market theory and led an extraordinary legacy from her government to transform the way Britain conducted business. The chairman of a critical aero business in England, Richard Branson, said "She did set the groundwork for entrepreneurialism and business in Britain," The economic model implemented in the United Kingdom increase the efficiency of the domestic business by reducing the incentive from the federal government, even though at the beginning it was difficult for local business to operate, the ownership method forced industries to reinvent and invest in a new manner to be competitive in the market, what seems necessary for long-term growth (Trevisani, 2018).

The firms improved efficiency increasing business profitability in combination with the government incentives on global connection, including tariff reduction, which was highly responsible for business diversification into overseas markets, becoming large multinational companies. This liberal approach not only changes the UK economy, but it seems to be responsible for creating a mantra of economic liberalization worldwide. (Coutts & Gudgin, 2015).

Similarities: The United Kingdom and Brazil`s Free Market Implementation

The first resemblance of Brazil`s financial plan to model adopted by the United Kingdom is the origin itself, the great author of both challenges have their models consolidated by having a very close relationship with one of the most famous liberal economist in the present days, Milton Friedman, who was the adviser of Thatcher helping her to implement a progressive agenda in the United Kingdom (Jones, 2017). Forty years later, Paulo Guedes, Brazil`s Minister of the Economy, decided to implement a liberalism reform in Brazil following the same principles of his lecturer Milton Friedman.

One resemblance from Milton Friedman that can be well observed in Guedes is a manner to divulgated the necessary economic changes to the masses, Friedman was well known to make the economic theories less confuse (Chappelow, 2019), which is an essential skill of the Paulo Guedes, which was probably acquired in Chicago School while he studied with Friedman, in one year of mandate, Guedes became recognized locally and internationally for his transparency, consistency, and simplicity of transmitting the plan to boost Brazil`s economy, which can be accompanied by media constant feedback, as well as understanding and approvals on congress, thus contributed to build trustfulness and partnership from a significant part of Brazil citizens, which was demonstrated by manifests in all Brazil states several times in 2019, whenever a relevant law defended by the government was under approval on congress, for instance, the pension security reform led several Brazilians to claims for its approval in 2019 (Wheeldon, 2018).

The second resemblance of Brazil`s plan to implement a liberalism economic is the close connection and support from the Presidents of United States, the mandate of Ronald Reagan as president coincided with the Prime Minister mandate of Margaret Thatcher, they worked together to reduce government power on privatizations, fewer bureaucracies and deregulation of key industries, as an example both worked on the privatization and the denationalization of British Airways, the second-largest airline company in the United Kingdom (Leger, 2013). The same way the actual president of United States, Donald Trump, has been demonstrated essential support for Brazil to entry in the global market, one of the crucial demonstration was probably its indication for Brazil to become an OECD member, notwithstanding the US has been supporting Brazil in several other projects to help the country to implement its challenge economic plan, the cooperation includes research and development technologies for products and services by sharing sophisticated capabilities and techniques, in response Brazil`s president immediately eliminates visa requirements for US citizens. This partnership with the first economy in the world seemed to be crucial for the United Kingdom to implement its open market plan successfully, and undoubtedly it is welcome for Brazil to implement its restructuring plan (Ayres, 2019).

DISCUSSIONS

From the last decades, Brazil's economic policies seem to have been destroying the economic growth and put the country more and more behind other economies, even under the military government strategy, where the economy demonstrated very higher growth for a few years, as the public expenses was compatible with the maintenance, the continuation of this system based on increase the indebtedness, nonetheless, it does not contribute to create an economic financially sustainably, it probably contributes the higher impact from the two big oil crises the country faced, and the decision made of not changing the strategy even during these crisis times drive Brazil to high and unstable inflation that led to a considerable increase in the volatility.

After several attempts the Real plan was able to control the inflation, however, the issue of the higher public debt was never solved, worse still decades of political corruption and govern using its power to create a law to distribute public job position and privileges for specific groups, instead of implementing the necessary reforms to correct the prior mismanagement and develop a develop plan of growth, all of this seems to prevent Brazil from growing economically, the result can be seen below in a study conducted by McKinney that shows the economy of brazil for a long time behind of global average growth and even others big emerging countries (Elstrodt et al., 2014).

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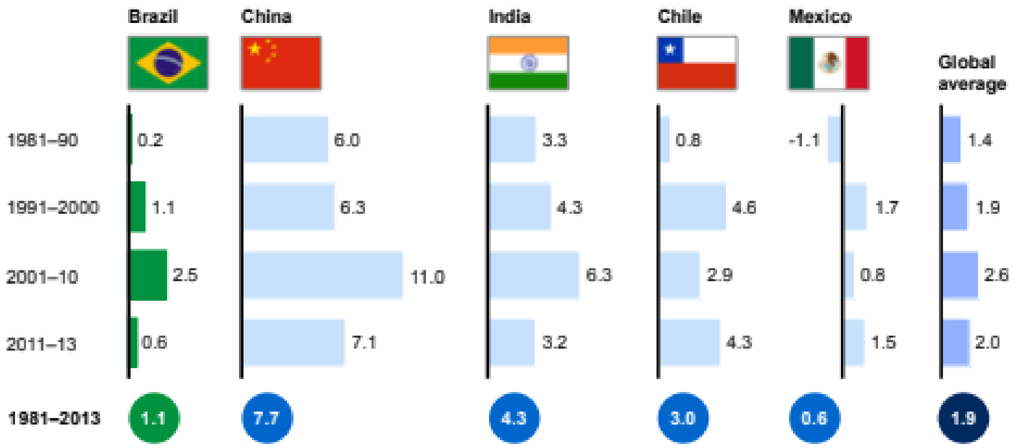

Brazil's Income Growth Has Lagged The Global Average Growth Source: (Elstrodt et al., 2014)

The great discussion of the free market is related to the strong individualism and responsibilities it promotes; it means that for any circumstances the choices seems to determine space in the market succeed, it will motivate them to work even more hard, on the other hand, if the individual does bad they probably will not going to have any support, for instance, are also great discussion that after implementation of free-market reform in the United Kingdom the unemployment rate very higher.

It seems clear that the liberalism ideology is based on meritocracy, given better opportunities for those who are more qualified, have access to good education and dedicated more; however it seems to be a responsibility of the government, promote a fair distribution of income tax investing in programs that reduce the social inequality, for instance investing higher education level, giving people access to modernize technologies and create spaces to develop those improvements, for example, the Silicon Valley in the US, which is home to many start-ups and global technology companies and where people can build its skills.

There is a discussion of liberalism policy being responsible for creating unfair competition between companies and society, giving higher opportunities for those who have easy access to technologies and knowledge; however a government worried about its citizens development can reduce social inequality by development programs and projects to given the same access to modern resources and skills for those who willing to develop themselves, which seems much better than the false idea that prevents the country from global connection protect the citizen and economy.

Brazil Proposes to Change the Economic System

It can be seen that a throughout its history the country changed from a command system starting in 1964 and oscillated between in mixed-market economy, sometimes with higher government protection, sometimes with some attempts of less government intervention, however, it can be told that from dictatorship period on, the country has never been considered in mixed-market economy on the right side, it means to reduce the power of the government, privatizations of state-owned companies and surplus and demand and all its effects being majority determined by the market, as the economic plan proposes,

Pre-Liberal Reform

The economic data shows that is not possible to change the financial system in Brazil without correcting mismanagement from the past, the Road of Prosperity need be paved before using try to change the trajectory of the economy, furthermore, according to Paulo Guedes, it also needs to improve the quality of government debt representing 45 percent of GDP, which accounts for US$1.868 trillion in 2019(Court, 2019), this government expenditure seems to be the main reason of Brazil low economic growth from the last four decades and its crises starting in 2014, as a simple fact that as debt increased, the government had also to increase its income tax to cover the expense, this might be the reason why Brazil occupied in 2017 the 14º position of a country with higher tax burden and one of the highest among developing countries, worse still its employed the 30º position of the country in return of its income revenue to social welfare,

Correct the trajectory is not a simple path, as a democracy, these changes require Brazilian approval to lose actual benefits and privileges in exchange for a prosperous future, it requires a paradigm break of federal government protective and interventionist approach into giving more ownership to its 27 states. The reduction of the federal government also includes transferring the government`s responsibility of manager state-owned business to the market in exchange for its productivity and efficiency, as well as a manner to have the capital to implement the reforms (Court, 2019).

The Imminent Impact of a Successful Free Market Reforms

By applying the first phase of Brazil`s economic reform, the country would have conditions to open its economy globally, thus would allow the country, according to the government plan, to transfer knowledge and access to the latest technology and modernize products used worldwide increasing the Brazilians demand for new goods and services with affordable prices, this combination will naturally put the country on the "Road of Prosperity" creating higher-quality jobs and increase productivity over the long term, given the government the responsibility of motivate the market into a sustainable growth by reducing the government regulation and bureaucracies and motive individual and small business increasing their access to the knowledge and capital to help them to establish business incubators that can create a more robust start-up culture (Court, 2019).

RECOMMENDATIONS

Based on the successful implementation of liberal economic reform, privatization of state-owned business, decentralization of power into states and municipals, a recommendation for future research is Brazil's plan to boost the economy by providing quality education and health programs to reduce the social inequality, it parts from the principle that significant portion of these issues could be solved by increasing the demand of the market for innovation, technologies, and increase of domestic efficiency by pressure the Brazilian to adapt to the new market environment, however, it is also a responsibility of the government to improve the quality of its distribution of income revenue to the sustainable improvements of the society by building centers and structures that enable the Brazilians to develop this skills, those could help not only increase of employability by forming higher qualified professionals, but also would give more opportunities for those who does not have much access, which seems to be aligned with the Minister of the Economy believes, as he stated that Brazil government expenditure is not only too higher, but it is also poorly and does not promote the social development.

Why Should Brazil Open its Market to the World ?

The integration of Brazil into the global market is an excellent opportunity for pressure companies to invest in new technologies and innovation. Since the military government, Brazil has a healthy politic of protecting it domestic market and industries, the high tariffs for imported goods and services, not only prevent the local consumer to access foreign products but also deny business to access foreign technologies to improve the efficiency of its production to offer quality modern products able to compete internationally, furthermore by expand its market globally, Brazil has a potential to add up 1.25 percent of its average GDP growth influenced by the global connections to modernize the domestic industry. (McKinsey Global Institute 2014b).

The excellent example of how these domestic challenge companies to become more efficient and integrated with the latest technologies is the company Embraer, created as a state-owned company by the military government in 1969, for civilian and military purposes, in 1994 the company was privatized and opened its operation internationally, since them, Embraer has gone head-to-head with the global business for international agreements and has achieved excellent results. Nowadays, the company has offices, brands and joint ventures around the world, on February 26, 2019, a joint venture between Boeing and Embraer was established to design, build, and sell commercial airliners worldwide (Pedicini, 2019).

Brazil's agriculture sector is another critical example of the benefits of expanding internationally, since the 1990s, the country has been reducing export tariffs and import restrictions, it allowed the Brazilian farmers to boost their efficiency, generating positive spillover effects. The production of the tractor and other agricultural equipment has quadrupled in the past three decades, and the exports of these machines have increased 24-fold since 1970. Brazil is today among the three most important producers and exported agriculture products in the world, and the world's exporter in leading in coffee, sugar, orange juice, soybean,

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poultry, and sugarcane-based ethanol, the agriculture products represent 46 percent of the country exportation (Apex Brasil, 2018).

The Brazil international trade policies seem to rely on exports of raw material goods rather than investing in more sophisticated, modern, and high skill products. Research shows that producing more top technological goods has a direct relation with economic growth ((Hausman et al. 2007). It means if the consumer's demand is high for lower-priced goods and services, the companies have no motivation to invest in innovative and high-end products and services. To create higher-quality jobs and increase sustainable productivity, the country requires to foster entrepreneurship and innovation, which also open opportunities to develop a partnership with foreign business in a venture capital, which could allow skilled migrant workers, technologies and knowledge to be transferred between countries, thus would also awaken employees and small companies to establish business incubators creating a more robust start-up culture taking advantage of the connected global economy.

Brazilian policy-makers have historic protecting the country by mitigating the risks of open the market. However, it seems today the new government and society have been considering the benefits of a free economy the country are not taking advantage of, the positive effects of harness the potential of global flows can increase the productivity and lead the country to an innovative and modern environment, in this sense a strategic policy based on development and the human capital and investing in infrastructure to integrate states into a single domestic market seems to be more efficient, and then expand the Brazil market to the world, thus would increase its value chains and create an internally competitive environment pressuring on Brazilian companies to develop its operation, ultimately thus cycle seems to have a high potential to reduce the unemployment rate, increase incomes, and improving the Brazilian living standards (Mari, 2020).

CONCLUSION AND SCOPE FOR FUTURE RESEARCH

Brazil’s restructuring plan describes a strong challenge politically and economically, based on liberalism approach, defended by many economists as the best manner to promote sustainable growth, Brazil’s seems to be engaged on developing the necessary reforms to enable the country, recognized for its very closed and protective internationally economy, to create a new economic system, based on a market-driven economy, investing in bilateral agreements to improve the country’s competitiveness among other emerging and developed economies in the world, it can be seen that Brazil’s plan follows the same principle and models that guided Margaret Thatcher’s install a free-market economy in the United Kingdom, even if there is a significant difference in time, it can be seen that Brazil and the United Kingdom share the same source having Milton Friedman, as great mentor behind its strong free-market beliefs. Notwithstanding, before investing on expanding its markets internationally, Brazil has a great homework to do, there are essential reforms under approval on the congress that is necessary to correct several historic mismanaged and privileges distributed for some classes since the military government and nowadays represents a significant barrier and challenge for the federal government to implement this ambitious plan; however, the election of the new president and approval of one the most challenging reform approved in Brazil for the last four

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decades, (security social reform) signalized Brazil's citizens maturity and willing the to do all necessary to changes in favor of sustainable development growth.

This research recommends a continuing analysis of government investment in education and center of incubators to foster new technologies and modern products and goods to be competitive within the potentially newly open economy with a secure globally connection; this report only suggested that a competitive environment from a market-driven economy create opportunities for business and society to develop themselves to attend the new demands of the market; however, this not evaluate the influence of the government by taking advantage of the market-driven economy to develop the whole society investing in higher education programs and access to developed and innovative products at the same time that get Brazil`s bad education ranking improved, which has been demonstrated an unusual declined from the last two decades. Instead of the influence of the market, the government investment to prepare its society to compete domestically and internationally would probably have a higher contribution to promote sustainable growth.

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