

## The state as an inhibitor of productive development in a crisis of economic freedom and suffocation of the business class

*The state as an inhibitor of productive development in a crisis of economic freedom and suffocation of the business class*

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### SUMMARY

This article critically analyzes the impact of state intervention on business activity in Brazil, drawing on the foundations of classical economic theory, institutional data, and contemporary references. Using a liberal and institutionalist approach, it investigates how the Brazilian governance model, marked by excessive bureaucracy, a disproportionate tax burden, and a punitive oversight apparatus, directly undermines economic freedom and discourages national production. Supported by authors such as Ludwig von Mises, whose work highlights the destructive effects of interventionism on economic efficiency and individual autonomy, it argues that the Brazilian state exceeds its legitimate regulatory role and positions itself as an active agent blocking development. Data from the World Bank, the Federal Revenue Service, the OECD, and organizations such as the CNI and Sebrae (Brazilian Institute of Economic Research) demonstrate that entrepreneurship in Brazil requires confronting a system that criminalizes success, bureaucratizes merit, and punishes initiative. The research concludes that the current institutional environment not only fails to provide security and predictability but also creates a logic of structural distrust against producers. Brazilian entrepreneurs are treated as presumed offenders, subjected to demands incompatible with sustainable economic growth. The overlapping of ambiguous legislation, unilateral oversight, and operational obstacles creates a reality where the freedom to undertake business is reduced to silent resistance against the State itself. This study proposes a critical review of the relationship between the State and the productive sector, guided by principles of efficiency, legal certainty, and economic freedom. This is not a matter of ideology, but of national survival: no country prospers while continuing to treat its producers as adversaries. Overcoming this model is, therefore, a technical, ethical, and strategic requirement for Brazil to return to solid progress toward development.

**Keywords:** economic freedom; state interventionism; entrepreneurship; tax bureaucracy; Ludwig von Mises; extractive institutions; business environment in Brazil; tax hostility; productive efficiency; economic development.

### ABSTRACT

This article presents a critical analysis of the impact of state action on entrepreneurial activity in Brazil, grounded in classical economic theory, institutional data, and contemporary literature. Drawing from liberal and institutionalist frameworks, the study examines how the Brazilian governance model—marked by excessive bureaucracy, disproportionate tax burdens, and a

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punitive fiscal apparatus—undermines economic freedom and discourages national productivity. Building upon the works of Ludwig von Mises, who emphasized the destructive effects of interventionism on economic efficiency and individual autonomy, the article argues that the Brazilian state consistently oversteps its regulatory function and acts as a barrier to development. Data from the World Bank, the Federal Revenue Service, the OECD, and organizations such as CNI and Sebrae demonstrate that doing business in Brazil involves facing a system that criminalizes success, bureaucratizes merit, and penalizes initiative. The findings reveal that the current institutional environment not only fails to provide legal certainty and predictability but also fosters a structural distrust of productive agents. Brazilian entrepreneurs are treated as presumed offenders, subjected to ambiguous regulations, unilateral inspections, and operational obstacles incompatible with sustainable economic growth. The study advocates for a critical review of the relationship between the state and the productive sector, guided by principles of efficiency, legal security, and economic freedom. This is not a matter of ideology, but of national survival: no country can thrive while treating its wealth creators as adversaries. Overcoming this model is, therefore, a technical, ethical, and strategic imperative for Brazil to summarize a path of solid development.

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## INTRODUCTION

Throughout the economic history of nations, the freedom to undertake business has always been directly proportional to material progress, job creation, and the advancement of innovation. However, in Brazil, this equation has been corrupted. The Brazilian state, under the guise of regulation, systematically promotes a progressive suffocation of the productive sector, treating entrepreneurs, directly responsible for sustaining the public sector, as potential criminals. The result is a vicious cycle where those who generate wealth are punished, while bureaucracy expands like an institutionalized parasite.

According to the World Bank's Doing Business report, Brazil occupies a shameful position among the countries most hostile to entrepreneurship, especially in the areas of "starting a business," "paying taxes," and "dealing with permits and licenses." On average, a Brazilian company dedicates 1,501 hours per year just to complying with tax obligations, a figure that dramatically differs from the OECD average of 161 hours. This constitutes a system designed to punish efficiency, extort productivity, and co-opt citizens into dependence on the state.

The tax burden exceeds 33 percent of GDP, while revenue from basic services borders on poverty. Simultaneously, the regulatory apparatus operates relentlessly, issuing fines, citations, executions, and blockades that often ignore adversarial proceedings and place business owners in the position of defendants even before any technical or legal judgment. This is what Douglass North defines as extractive institutions: structures that drain resources from productive society to support state and political elites, eroding incentives for investment and innovation.



From the perspective of the Austrian School of Economics, represented by authors such as Ludwig von Mises and Friedrich Hayek, this scenario represents a perversion of the free market, where the state abandons its role as guarantor of order and becomes the primary agent of economic disorder. Entrepreneurs, who should be seen as drivers of development, are now targets of tax, labor, environmental, administrative, and even ideological persecution. The state apparatus treats companies as sources of revenue and entrepreneurs as potential tax evaders, creating an environment of fear, withdrawal, and abandonment.

This article offers a critical and technical analysis of this phenomenon, investigating how the interventionist, punitive, and unbalanced state model has stifled economic freedom in Brazil. Drawing on classic and contemporary studies, as well as concrete data, it will be demonstrated that the Brazilian state acts as an active obstacle to progress, undermining national self-sufficiency and sabotaging the foundation of productive sovereignty. What is at stake is not only the success of entrepreneurs, but the future of an entire nation that insists on punishing those who sustain it.

This is not an isolated cry of revolt. It is a well-founded denunciation, backed by economic theory, statistical data, and practical experience. The heavy hand of the state is no longer just a burden. It crushes. And, in the face of this, technical and political silence is no longer an option.

## THEORETICAL FRAMEWORK

The theoretical construction that underpins this study is based on three main axes: economic freedom as a driver of development, the destructive role of excessive state interventionism, and the institutional deterioration caused by extractive models of governance.

Adam Smith, in his classic work "The Wealth of Nations," already pointed out that the role of the state should be limited to ensuring justice, security, and basic infrastructure. Any interference beyond these limits distorts the economy's natural incentives and creates artificial obstacles to prosperity. This idea is reinforced by the theory of economic liberalism, which argues that sustainable growth arises from the freedom to undertake business, the protection of private property, and predictability in legal and commercial relations.

Frédéric Bastiat, in "The Law," denounces what he calls legalized plunder—the use of the state apparatus to take from some and distribute to others, inverting the principles of justice. In his view, when the state becomes an instrument of fiscal and regulatory oppression, it abandons its moral function and loses legitimacy.

Contemporary authors such as Milton Friedman argue that the larger the state, the smaller the space for individual freedom. In his analysis, excessive regulations, licenses, taxes, and inspections ultimately stifle the private sector's ability to generate efficient, competitive, and innovative solutions.

Douglass North, winner of the Nobel Prize in Economics, expands this discussion by introducing the theory of extractive institutions. According to him, when a society's formal and informal rules are shaped to transfer wealth from the productive base to political and bureaucratic elites, a systemic erosion of trust, investment, and productivity occurs.

This scenario is especially evident in countries like Brazil, where legal uncertainty, tax complexity and state fiscal activism operate as forces that inhibit free enterprise.

Complementing this panorama, the Austrian School of Economics offers an even more direct diagnosis. For Ludwig von Mises, systematic interventionism undermines market logic, distorts prices, and kills entrepreneurial spontaneity. Friedrich Hayek, in turn, warns of the risks of coercive centralization of state power, which, in attempting to control all aspects of economic life, replaces free decisions with increasingly ineffective bureaucratic impositions.

The theoretical framework underlying this article not only denounces the collapse of the business environment but also demonstrates that this collapse is predictable, measurable, and absolutely avoidable. The perversion of the state's function, transforming the producer into a suspect and the tax collector into a predator, is a phenomenon widely studied and condemned in serious economic literature. Insisting on this model is, therefore, not only a technical error, but a political choice—with direct consequences for national stagnation.

## METHODOLOGY

This study adopts a qualitative, exploratory, and analytical-critical approach, based on a literature review and document analysis. The objective is to understand how the Brazilian state apparatus has operated to discourage, restrict, and, in many cases, harass business activity, directly undermining the pillars of sustainable economic development.

The literature review will be based on classic works of liberal and institutionalist economic theory, as well as contemporary authors who analyze the effects of state intervention on the business environment. Key authors include Adam Smith, Frédéric Bastiat, Milton Friedman, Douglass North, Ludwig von Mises, and Friedrich Hayek, whose works provide the theoretical framework necessary to interpret the phenomena observed in contemporary Brazil.

The documentary analysis will be carried out based on public and private reports and databases, including the following materials:

- World Bank Doing Business Report, which assesses the regulatory environment and ease of doing business in different countries



- Reports from the Federal Revenue Service and IBGE on tax burden, compliance time of tax obligations and corporate mortality
- Heritage Foundation's Index of Economic Freedom, which compares economic autonomy economic on a global scale
- Reports from Sebrae and CNI on the so-called “Custo Brasil” and the impacts of bureaucracy in the performance of micro, small and medium-sized enterprises
- Technical documents from the World Economic Forum, the OECD and Brazilian business entities

The mapping of emblematic cases of fiscal and bureaucratic persecution, widely publicized in specialized media, will also be considered to illustrate concrete situations in which State action exceeded reasonable limits and compromised the continuity of legitimate productive activities.

The methodology is structured in three stages:

1. Theoretical and conceptual survey of the main ideas that support the free market, economic freedom and the risks of interventionism
2. Collection and organization of statistical data and indicators on the business environment Brazilian
3. Critical analysis and confrontation between the theoretical model of economic development and the institutional practice experienced by the national entrepreneur

The focus will not be on passive neutrality, but rather on conscious analysis, aimed at identifying the structural factors that impede sustained economic growth and disproportionately penalize society's productive agents.

## RESULTS AND DISCUSSION

An integrated analysis of data, reports, and theoretical foundations reveals a systemic scenario of institutional hostility toward business activity in Brazil. The numbers leave no room for subjective interpretation: entrepreneurship in the country is an act of resistance, waged daily against a disproportionate, inefficient, and punitively oriented public administration.

According to the World Bank's Doing Business report, Brazil occupies alarming positions in the global ranking of economic freedom. The average annual time spent by a company complying with tax obligations is 1,501 hours, almost ten times higher than the average for OECD countries. This extreme bureaucracy generates not only direct operational costs but, above all, legal uncertainty and strategic insecurity, creating a highly unstable business environment.

The total tax burden, according to the Federal Revenue Service, exceeds 33 percent of GDP. This figure places Brazil on a par with Nordic countries, but without any equivalent social return, public services, or state efficiency. On the contrary, the return to citizens and entrepreneurs is marked by slowness, corruption, excessive judicialization, and a lack of predictability.

Furthermore, reports from the National Confederation of Industry and Sebrae indicate that more than 80 percent of Brazilian companies face significant difficulties with inspections, licenses, permits, and administrative processes initiated without clear technical criteria. Tax and labor lawsuits are often filed based on arbitrary interpretations, amplifying the feeling of persecution and widespread criminalization of entrepreneurship.

This operational pattern approximates what Douglass North defines as extractive institutions: structures that do not promote development, but rather the forced transfer of resources from productive society to the state elite. In the Brazilian context, the extractive elite is not only political, but also comprises sectors of the judiciary, the state bureaucracy, and the tax collection machinery, which act in symbiotic collusion to maintain the feedback system.

The practical effect is a decline in production, the closure of small and medium-sized businesses, growing informality, and a chronic discouragement of innovation. Data from the Brazilian Institute of Geography and Statistics (IBGE) show that the business failure rate in the country is around 25 percent in the first two years of operation, with approximately 40 percent ceasing operations within five years. This situation, coupled with the constant fear of fines and judicial blockades, drives away investment and compromises sustainable growth.

From the perspective of the Austrian School, the Brazilian state's systematic intervention creates distortions that break the natural link between effort, risk, and reward. Entrepreneurs attempting to grow are immediately targeted by the tax system and, instead of being recognized as agents of progress, are treated as suspects. This moral inversion of the entrepreneur's social role is one of the main obstacles to the consolidation of a free, ethical, and competitive economy.

Therefore, the results indicate that Brazil not only fails to encourage productive activity, but also implements state mechanisms that actively sabotage it. The indirect criminalization of entrepreneurs, implemented through ambiguous legislation, disproportionate oversight, and inefficient structures, cements an anti-business culture that is incompatible with any serious national development project.

## CONCLUSION

This analysis confirms that the Brazilian state, rather than being a promoter of development, has consolidated itself as the greatest obstacle to national economic prosperity. The institutional apparatus operates disproportionately, arbitrarily, and hostilely against those who produce, employ, and sustain the social machinery with extremely high taxes.

Instead of offering legal certainty, predictability, and incentives for private initiative, the State acts as an extractive agent, transforming entrepreneurs into permanent targets of oversight, sanctions, and operational strain.

This scenario is no coincidence. It is embedded in an anachronistic, corporatist, and excessively bureaucratic governance model that reproduces inequalities, undermines national competitiveness, and discourages innovation. It's a system that punishes those who work, discourages those who try, and rewards parasitic structures that survive at the expense of civil society's productive sacrifices.

Ignoring the historical warnings of thinkers like Adam Smith, Douglass North, Ludwig von Mises, Milton Friedman, and so many others is not just an intellectual error: it's a sentence of stagnation. Insisting on a model where the state treats corporations as enemies, entrepreneurs as presumed tax evaders, and growth as a threat to revenue collection is leading the country toward a silent, continuous, and self-inflicted collapse.

Therefore, it's not just about tax reform or bureaucratic simplification. A profound cultural reconfiguration of the relationship between the state and entrepreneurs is necessary. Brazil will not grow as long as it continues to treat the productive sector as a culprit before judgment, as a threat before trust, and as a source of revenue before social recognition.

Restoring the balance between economic freedom and state action is urgent, technically, and morally necessary. Without it, every productive effort will continue to be combated as if it were an illicit act. And no nation survives, prospers, or rises when it turns its producers into targets and its entrepreneurs into fugitives from the very country they support.

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