

# CAN'T STOP

# WON'T STOP

The Fed has turned the US dollar into a wrecking ball—and there's no end in sight to the carnage 20





◀ Distributing lunches to families in Brazil. Hunger has been a major problem in the country since the pandemic began



PHOTOGRAPH BY MARIA MAGDALENA ARRELLAGA FOR BLOOMBERG BUSINESSWEEK

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A Bolsonaro defeat would have huge climate implications, well beyond Brazil
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Verily focuses on the data, but it's the personal touch that makes a difference



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■ COVER TRAIL

How the cover gets made

1

"So this week's story is about—"

"Did you see what happened with the British pound today?"

"Oof. Just saw that."

"And before that it was the Japanese yen...."

"Seems like the Fed's interest rate is having some unintended consequences. Think you can make a cover out of that?"

"I mean, it's more or less like when Ray thought about the Stay-Puft Marshmallow Man and then it wreaked havoc on Midtown, so I'm thinking this, but a dollar?"



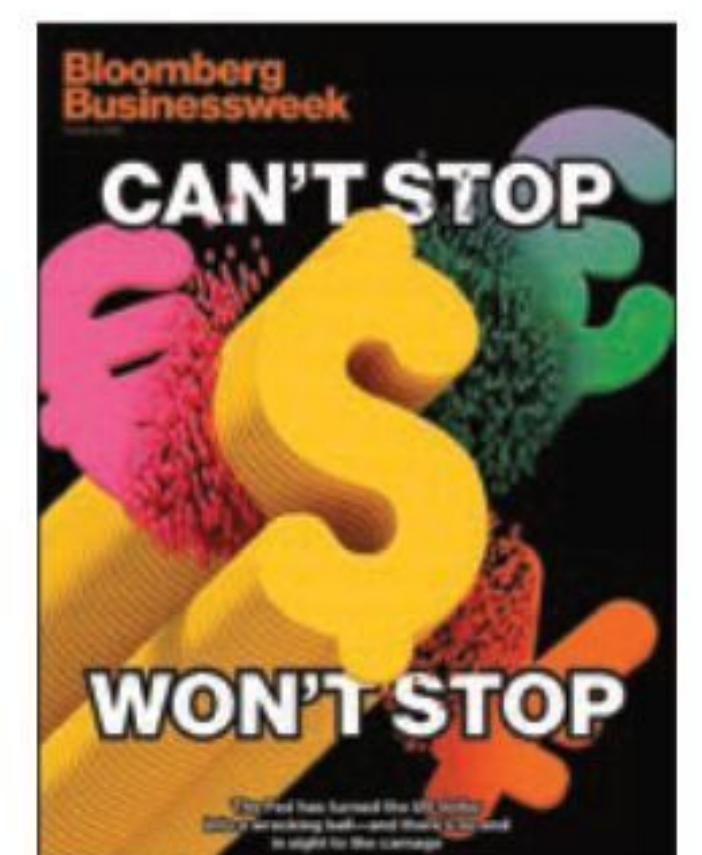
2

"Got something less creepy?"

"What about Miley's *Wrecking Ball*, but Ben Franklin?"

"Correct metaphor, but wrong image."

"Boooring, but I got you."



Cover: Illustration by Maria Chimishkyan

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# The Amazon

At the edge of the Amazon rainforest in Brazil's northern states, there's no avoiding the billboards. Most any drive through Pará or Rondônia is going to bring you face-to-much-larger-face with President Jair Bolsonaro, who's up for reelection on Oct. 2. Bolsonaro's billboards, which sit in freshly plowed soybean fields and at the edges of sprawling cattle ranches carved from the rainforest, praise him as a patriot and Christian who stands for *quem produz*, those who produce. They don't bother with subtext when contrasting the incumbent with his opponent, former President Luiz Inácio Lula da Silva. Lula, the signs declare, wants to take guns away, free criminals, and raise taxes for his leftist agenda.

Brazilian elections rarely draw their fair share of notice abroad. The country of 215 million is the size of a continent, not to mention Latin America's biggest economy, a cultural trendsetter, and the largest exporter of many of the world's most traded commodities, including coffee, orange juice, beef, and soybeans. Yet it's been relatively stable for decades, never playing a major role in clashes between superpowers or even in world politics generally. This year is different. Bolsonaro and Lula are larger-than-life characters with troubled histories and global name recognition nearly comparable to Donald Trump and Hugo Chávez, and their contest comes with high stakes for just about every creature on Earth.

Polls are widely predicting a Lula win, less likely in the first round but almost definitely in a runoff on Oct. 30. His victory would strengthen the shift to the left in Latin America (see Peru, Chile, Colombia, Argentina, and Mexico), weakening Washington's efforts to isolate Cuba, Venezuela, and Nicaragua through sanctions while increasing opportunities for Chinese investment and influence. But those billboards at the edge of the Amazon showcase the biggest reason why this election is so important abroad.

**Presidential campaigns in Brazil normally don't seize the world's attention. But these aren't normal times**

Bolsonaro



# on Election

More than 40% of Brazil is covered with rainforest. It's the most forested and biodiverse country in the world, the host of an ecosystem that stores more carbon above ground than any other. If people continue to cut and burn that tree cover at the rate they do today, transforming the ecosystem into cattle ranches and soybean farms, Brazil will dramatically worsen global warming, with disastrous consequences. "During this government, we've definitely seen the trend of destruction accelerate," says Elena Shevliakova, who creates climate models for the US National Oceanic and Atmospheric Administration. "The sooner they stop this trend, the better, if you want any chance of forest recovery."

But to many Brazilians—especially the 23 million living in and around the Amazon—climate change is a theoretical problem, or at most one for the future, and the rainforest's timber and arable land represent financial lifelines. If this sounds familiar to residents of other countries, Bolsonaro would agree. He tells the rich world: You built prosperity by cutting down your forests, now it's Brazil's turn. Since he took office in 2019, he's protected and promoted the rights of ranchers and farmers who've cleared trees to raise cattle and sow crops sold worldwide. Amazon deforestation, trending upward for years, reached a record high in the first half of 2022.

Lula says that as president he'd reduce the clearing and promote environmental protection. "Although the Amazon is Brazil's sovereign territory, the wealth it produces has to be used by all inhabitants of planet Earth," he said during a recent stop in the region. Indeed, most of the pressure to stop burning the Amazon is coming from outside Brazil.

Norway, which in 2019 joined Germany in protesting Bolsonaro's policies by suspending payments to the Amazon Fund, an international conservation initiative, says it would resume contributions if government policy changed.

Lula is also keenly aware of foreign capital's focus on all things related to environmental, social, and ►

Lula

**By Jessica Brice, Andrew Rosati,  
and Tatiana Freitas**



“Why is it that they say we have to preserve all this forest without compensation?”



A soy plantation on deforested land in the Amazon

◀ corporate governance objectives. Brazilian companies, especially commodity producers, often trade at a discount, partly because of the country’s reputation as a lousy environmental steward. “Lula is incorporating environmental issues into his platform in a way he never did in previous campaign cycles,” says Christopher Garman, managing director for the Americas at Eurasia Group. “He’s grabbing on to it to signal to the private sector that there are opportunities here. If you get this question right, Brazil could benefit from a cycle of investments.”

Bolsonaro has gutted government teams charged with enforcing environmental rules and eliminated legal protections for several kinds of Indigenous territory, including those under study and waiting for legal recognition. In June, after British journalist Dom Phillips and activist Bruno Pereira disappeared in the Amazon while investigating illegal activity on Indigenous lands, Bolsonaro said the men shouldn’t have been in the area. Only after pressure from foreign governments and environmental and press advocates did he send the military to retrieve their bodies and arrest at least three men allegedly linked to a criminal fishing group.

If Bolsonaro wins, deforestation and illegal gold mining seem certain to expand. Lula, on the other hand, appears intent on taking steps to slow the burn and earn the confidence of investors abroad. Among the measures he might take: increase enforcement, reinstate the protections for Indigenous land, and create conservation areas.

It won’t be easy. The regions around the Amazon are

A Bolsonaro billboard in the Amazonian state of Pará



isolated and filled with violent gangs. More important, Lula is unlikely to confront agribusiness. He signaled as much when he kicked off his campaign in late July, sending his centrist running mate Geraldo Alckmin to soothe ranchers and farmers.

Agriculture increased its share of Brazilian gross domestic product over the past three years from 20% to 28% of the country’s \$1.7 trillion economy, according to the University of São Paulo. Pro-agribusiness lawmakers control almost half the seats in Congress. Lula was president from 2003 to 2010, a time of explosive commodity-price increases. Under his

administration, Brazil rode the boom to investment-grade status. Its currency, the real, gained more than any other major currency, more than doubling in value against the US dollar. Lula used the windfall to pay for ambitious housing, education, and social welfare programs that helped lift tens of millions of people out of poverty.

Lula is running on memories of that golden era in an attempt to pull off one of the world’s greatest political comebacks. Three years ago, he was in prison for his role in a corruption scandal that plunged the nation into a deep recession. His sentence was overturned, allowing him to reenter politics.

He also understands that while the world wants to save the rainforest, it’s not a priority for Brazilians, who’ve seen their standard of living eroded by roaring inflation and declining public services. Commodity prices have surged again, bringing in money to big producers while making life more expensive for millions of ordinary Brazilians.

Since the onset of the pandemic, hunger has become a major problem. The price of beans, a Brazilian staple, has surged 23%. Chicken is up 18% in a nation that exports more of it than any other. According to research by the Getulio Vargas Foundation, a university in Rio de Janeiro, the share of families who lacked money for food at some point in the preceding year jumped to 36% in 2021, from 30% in 2019. It’s the highest level since the survey began in 2006. Another study found that 33 million Brazilians are currently going hungry, a three-decade high. It’s now common in Rio or São Paulo to see families panhandling or rummaging through restaurant garbage.

Nostalgia for better times is a big part of Lula’s sales pitch. “People need to be able to barbecue again,” he said in a recent interview with *Jornal Nacional*, the country’s leading news program. His supporters say much the same. “Under Lula, our bellies were full,” says Quiteria Ana da Silva, 41, who lives in a slum outside the eastern coastal city of Recife. Lately, she’s been gathering Styrofoam containers of rice and chicken for her family at a makeshift soup kitchen. “If it weren’t for donations like these, I don’t know how we’d get by,” she says.

During his two terms in office, as part of his antipoverty platform, Lula created many family farming settlements. His



government set off the disastrous cycle of land grabs and Amazon deforestation when it pardoned people who'd been squatting on deforested ranches and farms for years. Bolsonaro has accelerated the handing out of titles to such properties, fueling the land rush. But it was Lula's support for land-redistribution groups such as the Landless Workers Movement, known by its Portuguese initials MST, that is at the root of those vitriolic billboards scattered across Amazon states.

Through government settlements over two decades, hundreds of thousands of families got small plots able to sustain a good life. But the MST was highly political, often selecting which land to redistribute. Bloody conflicts between big ranchers and small producers were the norm during the Lula years. João Pedro Stédile, the MST's leader, said in an interview with news site *Brasil de Fato* that his group is preparing for "large mobilizations" if Lula wins.

Antonio Capitani is an MST activist and Lula supporter in southern Brazil whose family grows grains and vegetables and raises dairy cattle and chickens on a small farm. They eat half of what they produce and sell the rest to schools and a local cooperative. "Our people have an abundance of food," Capitani says as he walks through his settlement, carrying a vintage red bag with an image of Che Guevara. "This is the project Brazil needs."

Big landowners, by contrast, are bracing for conflict. In the Amazonian state of Pará, Carlos Magno Campos says he lost everything in 2007 when the MST took away his land. To him, Lula is a criminal; Bolsonaro, a hero. "Big farms are what support Brazil," he says. "Why is it that people in countries where everyone walks on cement and lives among concrete, sitting on their luxury sofas—why is it that they say we have to preserve all this forest without compensation?" Under Bolsonaro, a former army captain, the MST has been defanged. He has protected big ranchers' land rights and expanded their rights to carry and use firearms.

Notwithstanding his support for big ranchers over small farmers, Bolsonaro has sought to frame his campaign as a battle against the people he calls the enemies of "ordinary" Brazilians. Along with climate advocates, his enemies list includes gay people, atheists, lawmakers, judges, media figures, and academics. During the height of the pandemic, when hundreds of thousands of Brazilians died from Covid, Bolsonaro refused to be vaccinated and tried to veto a mask mandate bill. Like former US President Donald Trump, he's also preemptively blamed his potential defeat on fraud.

If the election is close, Bolsonaro's supporters—about 60% of whom say there's a big chance of fraud on Oct. 2—could take to the streets claiming it was rigged,

"If it weren't for donations like these, I don't know how we'd get by."

Da Silva and her family rely on a makeshift soup kitchen since food prices spiked



says Maurício Santoro, a political scientist at the State University of Rio de Janeiro. Political violence has risen, with dozens of politicians killed this year alone. A few experts predict Bolsonaro will attempt a putsch, but most dismiss that as unlikely, pointing to judicial and military institutions that have grown strong and independent since the military dictatorship ended in 1985. Investors say they aren't worried. "There won't be a coup," says Richard Hall, a sovereign analyst at T. Rowe Price Group Inc. in Baltimore.

Lula, on the other hand, has never governed as radically as his rhetoric might suggest. During his first few years in office, he maintained the orthodox economic policies of his predecessor to calm markets, and he was a Wall Street darling when every investor seemed to have a pitch about BRICs, the bloc including Brazil, Russia, India, and China. Unlike Bolsonaro, Lula clearly sees the immense value in protecting the Amazon, but he may not be able to do things much differently if prices, inequality, and violence keep rising.

So far, others with a stake in the outcome—that is, the rest of the world—haven't paid these issues much mind. Carlos Veras, a congressman from Lula's Workers' Party who's close to the candidate, attended COP26, the UN Climate Change Conference in Glasgow last year. He says his constituents in Pernambuco, a semiarid state racked by drought, have been affected by the destruction of the rainforest but have equally pressing issues. Attendees he spoke to at COP26 "were focused on the period of burning, but I told them we have other things that are incredibly worrying—hunger and the assault on democracy," he says. "Only a few had any idea what I was talking about." **B** —With Daniel Carvalho



MST activist Capitani on his family farm