

James Surowiecki of the New Yorker is one of the most original and provocative financial writers. He notes that the protests in Brazil are different from those in Madrid and Athens.



When mass protests block the streets in Madrid or Athens these days, it comes as no surprise. People there have been in economic purgatory for years. But the huge demonstrations that have hit Brazil represent something unexpected: revolt in the midst of relative prosperity. Brazil has been one of the economic success stories of the past decade. The economy grew quickly and the benefits were widely shared—arguably for the first time in the country’s history. Since 2003, some forty million Brazilians have joined the middle class, and the percentage in extreme poverty has shrunk markedly. Though the economy has slowed lately, most people are better off than they were ten years ago. Yet the protests have been widespread, popular, and, most striking of all, dominated by the middle class—the very people who have benefitted from the boom.

So what’s everyone so unhappy about? The core problem is that living conditions haven’t really caught up with the improvements in people’s income. Brazil is an increasingly middle-class country that still has many of the characteristics of a poorer one. Public infrastructure is notoriously bad. The public health-care system is overcrowded, and public education, while improving, is far from good: one recent study of education quality in forty major countries ranked Brazil next-to-last. Brazilian police forces are ineffective and sometimes corrupt, so citizens don’t feel safe. And cities like São Paulo

are so congested that two- or three-hour commutes are routine. The original impetus for the demonstrations was a twenty-centavo increase in bus fares; that's just nine cents, but no one wants to pay more for a patently inadequate system.

The wealthy are able to insulate themselves from this dysfunction—Brazil has long had one of the world's highest levels of income inequality. They have private health care and education, hired bodyguards, and so on. But such options are out of reach for most of the middle class. To make matters worse, Brazil's economy isn't really designed to deliver goods and services at low prices, which makes being middle class there significantly more expensive than it is in many other countries. Even by developed-country standards, Brazil is a pricey place: a recent study ranked São Paulo and Rio de Janeiro among the fourteen most expensive cities in the world—far above New York, which was thirty-third. A Big Mac costs more in São Paulo, adjusted for income, than in nearly every other country in the world. And high tariffs and less competition mean that cars, televisions, sneakers, and iPads are often two or three times more expensive than they are here. As a result, many Brazilians buy on installment plans, and high interest rates mean that Brazilians now devote a fifth of their income to servicing debt (almost twice as much as Americans do).

There's a basic paradox of economic growth: as people do better, they are often less content, because they expect more. Brazil's consumer-protection authority has reported that consumer complaints have soared in the past couple of years, a sign that people will no longer tolerate being messed with. Rising prosperity turns people into taxpayers—the number of Brazilians who pay income taxes rose by nearly nine million in the past decade—which has intensified the pressure on the government. Brazilians pay more than a third of their income in taxes. “The up-and-coming folks are now starting to pay more taxes, have come to expect more for them, and also realize that the public services they get are indeed horrible,” Filipe Campante, a professor of public policy at Harvard's Kennedy School and a Rio native, told me. “As a result, these groups are very frustrated with the performance of the Brazilian state.” The sense of injustice is compounded by a public perception (far from unfounded) that corruption is routine in Brazilian politics. Small wonder that lavish government spending on new stadiums for the World Cup and the Olympics (both of which Brazil will be hosting in the next three years) has become a flashpoint for the protesters. Once people have more of a stake in the system, they also have more to lose, which explains why Brazil's recent slowdown has engendered so much anxiety.

Middle-class agitation isn't unique to Brazil. In developing countries, a growing middle class is often a crucial agent of political and economic change. Nancy Birdsall, of the Center for Global Development, has called it a “catalytic class.” In the past few years, middle-class protesters have taken to the streets over issues of education, corruption, and public space in Chile, India, and Turkey, among other countries. These are revolts of rising expectations, and they're almost certainly harbingers of more upheaval to come. The ranks of the middle class are swelling around the world, especially in Asia, and the O.E.C.D. estimates that there may be almost five billion people in the “global middle class” by 2030—more than twice the current figure. Governments will be under

increasing pressure to meet citizens' demands. Higher expectations don't guarantee change, but history suggests that the uprisings they lead to can be powerful engines of reform. In the U.S., at the turn of the twentieth century, an anxious middle class—frustrated with government corruption and inefficiency—drove the Progressive movement. The impetus gave us campaign-finance regulations, antitrust laws, food and drug legislation, direct election of senators, and, eventually, women's suffrage. In Brazil, President Dilma Rousseff has already offered a host of reform proposals in response to the demonstrators. The stereotypical image of the middle class is that it's dull and complacent. But when it rises, turmoil follows. ♦