Bad schools, dangerous buses, corrupt cops: The government’s inability to deliver the basics has sparked a potential revolt.

Why Brazil’s new middle class is seething

BY PAULO PRADA
SÃO CONÇALO, BRAZIL, JULY 3, 2013
André Tamandaré isn’t supposed to be so angry.

Over the past decade, the 33-year-old high-school dropout has moved into his own house, got a steady job and earned enough income with his longtime girlfriend, Rosimeire de Souza, to lead their two kids into Brazil’s fast-rising middle class.

Now a public health worker in a sprawling suburb east of Rio de Janeiro, Tamandaré is the kind of citizen that Brazil’s government thought was fulfilled. Instead, he is one of the more than one million people across Latin America’s biggest country who have hit the streets in a wave of mass protests.

Brazilians are railing against poor public schools, hospitals and transport. They are protesting soaring prices, crime and corruption. They are lambasting a political class so self-satisfied that it failed to see, much less address, the mounting dissatisfaction that led to the protests.

Combined, the concerns reflect growing unease among Brazil’s nearly 200 million people that the country’s long-promised leap into the developed world has fallen short once again.

“All you need to do is walk around a little to see how undeveloped we still are,” Tamandaré says, smoking a cigarette on a plastic stool next to his small square kitchen table. “Take a bus, go to the health clinic – it’s all shabby, slow, dangerous and infuriating.”

The demonstrations, sparked by protests against a rise in public transport fares, at first drew mostly educated youth from Brazil’s traditional middle class, a minority that historically has had more in common with a wealthy elite than the nearly 100 million Brazilians who until recently formed the ranks of the poor.

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The demonstrations took off, though, when Brazil’s “new” middle class joined the fray. “This is the discontent of people for whom having enough rice and beans on the table no longer comes as a surprise,” says Rodrigo Dutra, a documentary filmmaker in Duque de Caxias, another working-class Rio suburb, who is studying the differences between these protests and rioting that followed a 1962 food shortage.

Much has been made in recent years about Brazil’s emerging middle class – most of all by the leftist Workers’ Party, in power since 2003.

Booming commodity exports, a consumer binge and ambitious social welfare programs together fueled a decade of steady economic growth that lifted 35 million Brazilians from poverty. But now, as the economy cools, many among the new middle class say their much-vaunted ascent leaves a lot to be desired.

“It’s all relative,” says Dione Brandão, a schoolteacher, after a recent march along Avenida Atlântica, an oceanside promenade in Rio’s Copacabana neighborhood.

“Take a bus, go to the health clinic – it’s all shabby, slow, dangerous and infuriating.”

André Tamandaré public health worker

A MIDDLING MIDDLE

Approval ratings are plunging for President Dilma Rousseff, who until recently enjoyed some of the highest poll numbers of any elected leader worldwide. Since the protests began, her public-support rating has sunk 27 percentage points, settling at 30 percent of those surveyed by the pollster Datafolha.

Middle-class Brazilians are expressing some of the same frustrations fueling unrest in Turkey, Egypt and elsewhere. The demands vary by country, but reflect a common struggle by the governments of many developing nations to meet rising expectations.

The very notion of middle class in Brazil is quite different from the standards of North America and Western Europe.

No tree-lined suburbs and Volvos for the newly empowered masses here.

Instead, the term is used broadly to include almost anyone able to pay rent, put food on the table and perhaps pay a monthly installment on the refrigerator, microwave or television that Brazil’s government often touts as a sign of their emergence.

The so-called “Classe C,” the bottom rung of Brazil’s middle class, earns as little as 1730 reais a month, about $790, and, unlike
the much-smaller upper middle class, relies largely on public transportation, health services and schools.

The problem is that Brazil, for all its recent success, invests far less in public services than any other major economy.

When democracy followed a two-decade military dictatorship, Brazil’s 1988 constitution enshrined European-style pensions and other social benefits despite the limitations of Brazil’s developing economy. “We adopted a model that transfers a lot of public wealth to individuals and leaves very little for public investment,” says Samuel Pessoa, an economist at the Fundação Getulio Vargas, a business school and research institute.

So, even though it taxes the populace at levels similar to Switzerland, Canada and Australia, with a tax burden equal to about 34 percent of the economy, Brazil spends most of its resources on personnel costs and entitlements. Instead of improving roads, rail systems or schools, revenues go toward pensions, public-sector salaries and transfers to state and municipal governments, who use the funds for their own high expenditures of a similar sort.

Less than 5 percent of the government’s expenditures in 2012 went toward investments, according to a recent study by Credit Suisse.

**GOVERNMENT GAPS**

And at a time when Brazil’s once-booming economy is stuck in a prolonged lull, the government is being tight even with money it does have to invest. Last year, Brazil spent less than 10 percent of the funds it allocated for urban transport projects, according to data compiled by Contas Abertas, a watchdog group.

The result is poor public services. For those who rely on them, day-to-day life is a battery of hassles that, at best, are a terrible grind, but often even dangerous and deadly.

Two-hour commutes, or worse, aren’t

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**Low income, high taxes**

Brazil’s gross tax burden* is as high as some countries with a much larger GDP per capita.

<table>
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<tr>
<th>TAX RATE</th>
<th>GDP PER CAPITA</th>
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<td>Norway</td>
<td>59%</td>
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<td>Sweden</td>
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<td>Denmark</td>
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<td>Australia</td>
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<td>South Korea</td>
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<td>Argentina</td>
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<td>U.S.</td>
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*The sum of all government revenue from taxes, contributions and fees, divided by the amount of wealth produced in the country.

Source: Brazil Government
ROUGH PATCH: President Dilma Rousseff’s popularity has plunged as millions have taken to the streets, from Belo Horizonte (above) to São Paulo (below left) and Fortaleza (below right). REUTERS/JESLEI MARCELINO, NACHO DOCE, PAULO WHITAKER
rare in big cities like São Paulo or Rio—not to mention the grimy, unpredictable and overpriced trains and buses helmed by overworked drivers. In April, during an argument with an irate passenger, a bus driver careened off an overpass, killing nine.

When Brazilians get home, often in neighborhoods where basic trash collection and sewage are lacking, they worry about some of the highest violent crime rates in the world. The homicide rate in Brazil, as tallied by the United Nations, was 21 deaths per 100,000 people in 2010—compared with 4.8 in the United States, and 1 in China. Sometimes it’s not police Brazilians look to for protection, but drug gangs or other criminal factions that control entire suburbs.

Their kids are less truant than in years past, thanks to a welfare plan that pays parents to keep them in school. But children aren’t learning a whole lot once there. Literacy rates and test scores lag those of many other developing countries, let alone the advanced economies that Brazil so hopes to join.

Those who can’t afford private health insurance—and most Brazilians can’t—are at the mercy of public hospitals that often lack sutures, spare beds and, increasingly, doctors, some of whom are so disgusted with the public health system that they limit their work to private providers. Such is the shortage of physicians in public hospitals that the government wants to import from Cuba.

Brazil is not about to go belly up. The protests have been largely non-violent. And Rousseff, while blindsided by the protesters, moved quickly to recognize their concerns, met with some of them and has vowed to increase investments, even if by little. Her plummeting approval ratings don’t yet mean certain electoral defeat, especially because the protesters don’t have a unified agenda or political party of their own.

Unemployment, meanwhile, remains near record lows, the legacy of a past decade that by most accounts was remarkable.

**Danger zone**

Though recently dropping, the murder rate in Brazil remains much higher than in the U.S. and China

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<th>MURDERS PER 100,000 PEOPLE</th>
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<td>Brazil</td>
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**THE BOOM**

Tamandaré and de Souza, the health worker and his girlfriend, were among the decade’s many beneficiaries.

Originally from different blue-collar Rio suburbs, the couple met in 2000.

Tamandaré, at the time still lived with his grandmother, who raised him in Niterói, a city that lies across the river-like bay that gives Rio its name. He worked sporadically as a self-taught computer and appliance repairman.

De Souza, recently divorced and the mother of two young children, had been laid off from a job as a supermarket cashier. She and the kids moved in with Tamandaré and his grandmother and they began to live as a family.

Both held a series of part-time jobs, but nothing regular worked out.

In 2005, they decided to move to São Gonçalo, a nearby suburb where Tamandaré’s mother, who died when he was an infant, left a small, two-bedroom home. The family had rented it out for years after her death, but by now the home was vacant and in disrepair.

Tamandaré and de Souza could move in, find work and fix it up.

“Things were changing,” recalls de Souza, now 35. “We saw it as an opportunity.”

Things were indeed changing.

Ravenous demand for iron ore, soybeans, and other commodity exports to China and other fast-growing emerging markets boosted tax revenues and spurred growth in knock-on sectors of Brazil’s economy. Former President Luiz Inácio Lula da Silva, Rousseff’s predecessor and political godfather, doubled down on fiscal policies, including a balanced budget, that his centrist predecessor adopted to stabilize once-volatile public finances.

Greater stability encouraged investment by private companies and gave Lula, who reaped enormous popularity, breathing room to expand social programs that reduced hunger and extreme poverty. Prodded by the government, state lenders opened the taps on credit, and consumer demand, long suppressed, took off.

In São Gonçalo, de Souza and her sons handed out flyers advertising Tamandaré’s repair work. He increasingly drew clients. De Souza, through friends, acquaintances and other word of mouth, began selling lingerie.

Soon they were clearing 1,000 reais a month—equivalent to about two minimum wages.

53rd

Brazil’s ranking out of 65 surveyed countries in student reading performance

Source: OECD’s Programme for International Student Assessment (PISA)
BRAZIL: Why the Middle Class Is Seething

Skimping on the future

BRAZIL’S PUBLIC INVESTMENTS AS A PERCENTAGE OF GDP ARE RISING, BUT REMAIN SMALL.

INVESTMENTS ARE THE 5TH-LARGEST EXPENDITURE OF THE BRAZIL GOVERNMENT, 2012 DATA

Social security 318.8
Personnel 186.1
Transfers to states and municipalities 181.4
Health care 62.5
Other 190.6

INVESTMENTS ARE THE 5TH-LARGEST EXPENDITURE OF THE BRAZIL GOVERNMENT, 2012 DATA

EXHAUSTED

Brazil’s boom is also exhausted.

Demand for raw materials from China has slowed.

Brazilian consumers, meanwhile, are more burdened by debt than at any time since the central bank began measuring household credit. Growing defaults last

wage salaries at the time. Tamandaré enclosed their small patio and the family, using store credit, bought kitchen cabinets, a refrigerator and a 29-inch television.

The boys entered local schools, where, like most students in Brazil’s public system, they receive less than five hours a day of classes. “It’s not ideal,” de Souza says, “but we can’t afford a private school.”

Eager for yet more stability, de Souza in 2008 took a job as a health agent for the municipal government. In theory, the job consisted of visiting poor families with known health problems and making sure they were getting the right medical attention.

In practice, though, she had few resources to do the job well.

So many families made up her roster that she was rarely able to call on each.

In 2011, because of a change in the contract that outsourced the health agents, she was laid off. As luck would have it, Tamandaré, applying when city hall re-staffed the posts, landed the very same job.

He continued repair work on the side and de Souza, who still also sells lingerie, found a job as a salesperson in a bed, bath and kitchenware shop.

The job was back in Niterói, though, meaning a long commute each way. The distance is just 10 kilometers, or six miles, but the ride, because of the sclerotic highway between the two cities, takes 90 minutes. The bus, already full when it arrives from a nearby town, is just as full when she ends her eight-hour shift.

“I stand on the bus, I stand at work, and then I stand on the way home,” she says. “I am worn out by the time I get home.”
year led banks to cut back on lending.

After average yearly economic growth of more than four percent during Lula’s two terms, average growth through the end of Rousseff’s term isn’t expected to exceed much more than two percent. Inflation, a longtime concern, has crept back up to an annual pace of 6.5 percent.

The slowdown muddles the message for a government accustomed to telling its citizens indeed, the entire world that Brazil has finally made it.

As recently as April, Rousseff was pledging that per capita income would double by 2022 – never mind that economists say that would require average annual growth of at least 6 percent until then. Two marquee events in Brazil, the 2014 World Cup and the 2016 Olympics, are now lightning rods for criticism because of the more than $25 billion needed to host them.

Frustration in São Gonçalo, a city of 1 million people, has begun to spill onto the street. Its reputation as a hardworking commuter town has begun to change to that of the new hideout for drug gangs and other criminals who have been pushed toward the suburbs because of a pre-Olympic crackdown by police in Rio slums.

In February, de Souza was mugged at gunpoint.

Along Rua Doutor Feliciano Sodré, a bustling street lined with retail, banks and lunch counters, storefronts are now boarded up because vandals broke windows during a recent protest. At a bus stop, commuters step away from the curb as cars approach to evade the splash from a puddle of overflowing sewage.

Inside a large appliance and furniture store, Vander Oliveira, the manager, says sales, which ballooned during the boom, are now flat. “You look toward the horizon and what you see are problems,” he said, eyeing a lunchtime showroom with more salespeople than customers.

Tamandaré and de Souza together now earn more than 2,000 reais per month, about three times the minimum wage. Despite their link to the local health service, however, they use about a fifth of their earnings to pay for private insurance.

“I see how bad it is each and every day,” says Tamandaré, who keeps photos of the run-down local clinic on his cell phone. The faucet in one of the bathrooms, for instance, isn’t a faucet at all – just a sawed off extension of the water pipe.

At the clinic itself one recent afternoon, patients, friends and family members wait outside an overflowing emergency room foyer. A bucket sits strategically under a hole in the ceiling above the few who managed to score chairs.

Wellington Nascimento, a 38-year-old off-duty security guard, waits with his daughter for a friend who fell, cut and possibly broke her nose.

Nascimento recalls a visit last year, when he came to the clinic with a fever, stomach pain and repeated vomiting. He never saw a doctor, he says, and left after eight hours.

“We could be here all day,” he says.

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