There are reasons for the protests

THE SUCCESS OF THE WORKERS' PARTY administration in the last 13 years in increasing social mobility and expanding opportunities has built up a middle class that now demands better public services and a more efficient and honest public administration.

Certainly the expansion of the middle classes is an auspicious political trend in Brazil. One of the depressing characteristics of Latin American populism has been the exploitation of the poor for political purposes and the pitting of the poor against the middle class. That may work when the middle class is small. Usually, though, a large and wealthy middle class is the rock foundation of political stability.

So why this outburst now? People taking to the streets about a very modest fare hike in the city of São Paulo? Until a week before the protests broke out, 60% of the population thought the president and her management were good to excellent. Just a month or so later the president's popularity is down by 27 percentage points. What happened?

Brazilians are becoming more anxious about the future as economic prospects fall, fewer jobs are being created, and incomes are stagnating. Industry and consumer confidence have both been falling. The economy is showing more and more cracks, and the global economy is still struggling to recover, so that the government has far less money to pay for its social transfers and subsidies. Not only has the Brazilian economy been stunted for two years but prospects for growth are so far from promising that the IMF has again reduced its growth forecast for Brazil and with the Central Bank of Brazil raising interest rates to contain inflation, prospects are even murkier.

So far, the president, political parties, and state governments have reacted to the burgeoning protests haphazardly, promising more money for health and education without making clear where the resources will come from and rolling back increases in bus fares and road tolls, which will reduce resources for public transportation and thus worsen it. President Rousseff's proposal for a popular referendum on political reform proved impracticable. Clearly, nothing is likely to happen in the political realm until the next administration takes over in January 2015.

Brazil is unlikely to explode any time soon. However, given the present fragility of the economy, popular expectations must be managed with great skill so that the current discontent does not degenerate into more active unrest. To make things even more difficult, as Antonio Delfim Netto explains in the interview in this issue, for the next three to five years Brazil's main problem will be financing the external current balance deficit, which will eventually require a depreciation of the exchange rate.

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With less than 18 months to the next election, President Rousseff will have to devise reforms that are politically feasible and economically sound. If she cannot solve all the problems by then, she must state clearly what she would do in a second term. Certainly the first thing would be to disclose without any accounting gimmicks the total nominal public sector deficit and gross public debt. Transparent public accounts would certainly improve her government's credibility. She must also protect ministries, government agencies and state-owned enterprises from undue political influence. For instance, some have suggested drastically reducing the number of ministries. Granting legal operational independence to the central bank could help contribute to stabilize inflation expectations. And certainly opposition candidates for president need to more clearly articulate their vision and plans for the country.