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Reality dawns

Slower growth and an assertive new middle class will force political change

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ays?

OULD get the politicians it deserves, and Brazilians who voted Paulo in 2006 and 2010 can hardly say they did not know what they were getting. Allegations of overbilling and kickbacks when he was mayor of Rio de Janeiro had been circulating for years, though he was found guilty only last year—by a court in Jersey, in his absence. Mr Maluf is just one of many Brazilian politicians with grubby names: a third of congressmen face criminal allegations, mostly of vote-buying, bribery or embezzlement. Quite a few of those did well at the ballot-box.

But even when Brazilians try to choose wisely, they can be frustrated by their voting system. Members of the lower house of Congress are elected by huge state-wide constituencies. Each state is entitled to three senators and between eight and 70 representatives in the lower house, so with dozens of parties there can be thousands of names on the ballot. Two months after an election only a minority of voters can remember whom they picked. And the system gives poor, ill-educated and sparsely populated states far more than their due weight in Congress, boosting clientelism.

Brazilians also get lumped with representatives they did not even vote for. When a politician steps down in mid-term he is replaced by his choice of alternate rather than via a by-election. Votes cast for a congressional candidate above what

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he needs to be elected are shared out among his allies. Parties employ “vote-pullers”—high-profile figures who drag non-entities or *corruptos* into office with them. In 2010 Tiririca, a well-known clown with a television show, picked up 1.3m votes in São Paulo state, enough to get him and three other members of his party into Congress.

No matter what a Brazilian politician does, once he is in he becomes very hard to kick out. Corruption allegations are rarely properly investigated, let alone brought to court. Holders of high office cannot be tried by courts of first instance; congressmen can be tried only by the Supreme Court. And even if a case does come to court, Brazil's legal system offers almost endless opportunities to spin things out. Natan Donadon, a congressman found guilty in 2010 of embezzling public funds, was jailed only in June this year—the first congressman to suffer that fate since 1988. In August Congress decided in a secret vote not to strip him of his seat.

The *ficha limpa* (“clean record”) law, passed in 2010 after earlier protests shamed Congress into action, bars candidates for eight years after a conviction for vote-buying or misuse of public funds, or if they step down to avoid investigation. Next year's federal election will be the first one with that law in force. It should improve matters slightly by keeping known *corruptos* from standing and giving clean candidates a reason to stay that way. But it does not make corruption more likely to be properly investigated, nor does it increase criminal sanctions.

In poor, rural areas powerful clans often have a lock on state and city governments. Dependent on transfers from the federal government and richer states, they have little incentive to govern well. But some of the more developed regions have competent administrations, says Luiz Felipe d'Avila of the Centre for Public Leadership, a think-tank. A fiscal-responsibility law passed in 2000 forced them to clean up their books, limit their debts and stop overspending on staff, and the need to lure taxpaying businesses encouraged healthy competition.

The federal administration, by contrast, often seems to be on another planet. Brasília, the capital built in Brazil's then-deserted central plains in the 1950s, is a long way from anywhere and much richer than most of the rest of the country, with an income per person 2.2 times the national average. *Congresso em Foco*, a magazine and watchdog, calculates that the pay and perks of the 513 members of the lower house of Congress alone will add up to almost 1 billion reais this year. That includes a salary of 365,000 reais, allowances for food, housing, flights and petrol, and 25 advisers of their choice each. Senators get extra advisers as well as unlimited private health care for themselves and their families for the rest of their lives.

Much of what is done in Brasília seems equally distant from Brazilians' needs and interests.

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The relationship between the executive and legislative branches is openly mercenary, with the president trading pork-barrel spending for support from her huge, ideologically incoherent coalition. Ministries are also used as currency. Under the PT the transport ministry has gone to the right-wing Party of the Republic, for example; sport belongs to the communists and tourism to the Partido do Movimento Democrático Brasileiro (PMDB), a party of regional bigwigs. In 2011 these and two other ministries lost their bosses to scandals, only for their “owners” to be allowed to name their replacements.

Visiting businessmen and investors complain that officials seem unaware of the mood elsewhere in Brazil. According to a recent Americas Barometer survey, only a third of Brazilians felt that politicians cared about their opinions. That disaffection erupted in June's protests. Many marchers carried placards reading: “They don't represent me.”

During the protests Ms Rousseff put forward the idea of setting up a constituent assembly that would suggest ways to make politics more responsive to the people. It was shot down as unconstitutional the following day. She then proposed a plebiscite to produce options for Congress to consider. But how to word it? Most people's eyes glaze over when they hear about closed lists and single transferable votes. And most politicians resist changing the system that got them where they are.

The PT, for example, one of the few parties with strong national leaders, favours a closed-list system in which votes are cast for parties rather than people, because it would make its leaders even stronger. The PMDB wants simple-majority voting, which in such large constituencies would tilt the system even more towards name recognition—and hence its local chieftains.

The Brazil that grows

Brazil seems set to stagger on indefinitely with a system that does a bad job of selecting its representatives. But even without electoral reform, new demands and tightening finances are about to force change on its federal government. Many bits of the country are still so poor and ill-educated that scraps thrown from Brasília can secure votes. Even so, three-quarters of the income gains and three-fifths of the drop in inequality during the past decade have come from paid work, not government handouts. That has created a large and growing constituency for better public services and infrastructure. Satisfying it will require some hard political choices.

Governments in other middle-income countries that face similar demands may be able to raise taxes or borrow more. In Brazil neither is feasible. During the quarter-century since the return of democracy the tax burden has risen from 22% to 36% of GDP, way out of line with the 21% average for upper-middle-income countries. Extracting so much revenue in a country that is not yet rich has already squeezed poor people hard and slowed growth by overburdening businesses. Gross public debt is also high for a developing country. Borrowing a lot more would mean paying even higher interest rates and put the investment-grade status of Brazil's sovereign debt at risk.

If Brazil's economy were doing well, tax revenues could rise without taking a bigger bite out of GDP. The country could outgrow its high and misdirected public spending by limiting any further increase in it to half the rate of economic growth, as economists linked to the opposition PSDB have been suggesting. But Brazil has exhausted all the easy ways to grow. Most of the population has already moved from the countryside to the cities, and most women who want jobs have joined the workforce in the past few decades.

During Lula's two presidential terms the economy was lifted by the commodity boom and the lingering effects of the economic stabilisation of the 1990s. That made his government complacent. It abandoned the reforms of the tax and pension systems and the labour laws that would have strengthened growth in the longer term. Since Ms Rousseff took office, growth has barely risen above 2.5% a year.

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As a result, Brazil's government will soon have to cope with something unfamiliar: budgets that barely grow from year to year. Many Brazilians believe that cutting politicians' perks would release enough cash to build better roads, schools and hospitals. But although such trimming would be a good thing, only a radical reshaping of public spending, and in particular much later retirement and lower pensions, will produce the required savings.

Up till now, politicians have not even tried to make that case to the electorate. Nor are they likely to get round to it soon: with an election coming up next year, they will probably go on another spending binge. Moreover, many Brazilians have yet to make the link between restrictive labour laws and numbing bureaucracy on one hand and the high cost and poor quality of infrastructure and locally made goods on the other.

In the longer term, though, the protests have shown that the politicians cannot duck hard choices indefinitely. Voters everywhere would rather avoid short-term pain, no matter how firmly they are promised it will lead to long-term gain. But for Brazilians the choice is between two current evils: accepting cutbacks in overgenerous handouts or continuing to put up with appalling infrastructure and public services. That may make them more open to reform.

The new middle classes are becoming increasingly vocal, and their demands are being supported by firms in sectors such as agribusiness and consumer products that have flourished without much attention from government. Mr Maluf and his ilk are nothing if not survivors: if the electorate wants better policymaking, they might just try to provide it.