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## Brazil's Gross National Hubris

Mac Margolis

There are many ways to measure a society's fortunes, from per capita income to gross national happiness. In São Paulo perhaps the best thing to check is the skyline. High over this Brazilian hypercity, where office towers pierce the smog, helicopters swarm. Ferrying corporate rainmakers over the gridlocked streets, they light on rooftops and bank away again, steel dragonflies pollinating a stone jungle.

Brazil today boasts 1,100 privately owned helicopters (half of them in São Paulo), the world's third largest fleet and growing at the clip of 15 percent a year. For those below, condemned to battling one of the worst rush hours on the planet (on a bad day, traffic pileups can run to 160 kilometers or more), the view isn't so inspiring. But like the crowded skies, the clotted streets are emblems of the remarkable new moment in a nation that has hoisted itself from the ranks of chronic underachiever to emerging market upstart. (Read this week's magazine story, [Weathering the Storm](#).)

The new bullishness has taken many by surprise. For half a century Brazil has been flirting with greatness, aiming for the clouds and then flaming out. At its loftiest the country has charmed a host of believers, but their convictions have wavered. Fleeing Europe to Brazil ahead of World War II, the Austrian writer Stefan Zweig famously declared his adoptive country "the land of the future" but then lost hope in the world and downed a lethal dose of viroanal in 1942, in the middle of carnival, at that. The future would have to wait. Charles DeGaulle looked down his spacious nose at much of the world, but the Brazilians always took personally his generic snub that "Brazil is not a serious country."

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It's poetic justice of sorts that the Brazilians are looking down on much of the serious world today. In the quarter century or so I've been keeping an eye on this country, this is the first time I can recall that the dark talk of "crisis" refers not to some domestic debacle but to the mess beyond national borders. "Hey, Bush, we've been waiting 20 years to grow," scolded president Luiz Inácio Lula da Silva in an impromptu speech the other day, referring to the global spillover from the U.S. subprime credit crunch. "Get your act together."

Except for on the football pitch or the catwalks, such hubris is new for this chronically underperforming country. Maybe it's the currency. When I first arrived in Rio, in the early 80s, with inflation topping three digits, the greenback was almighty. Converted into wads of pink and green cruzeiros or cruzados or new cruzeiros (pick your perishable banknote), a hundred U.S. dollars could buy you a week on the town. Now and then the officials in Brasília tried to do something about it, lopping three zeros off the currency and decreeing drastic price freezes, so bringing only a flicker of stability. It wasn't as bad as Bolivia, where I once saw them weighing money instead of counting it in the Chapare district, but it left the continent's biggest country dysfunctional, all the same.

I keep a box in my drawer stuffed with inflation memorabilia from those days. Lost in the rubble of half a dozen versions of soiled bank notes and a kilo or so of useless coins, there's a small paper chit with the number 2147 stamped on it. It's the waitlist number I drew for the São Paulo-Rio de Janeiro air shuttle, which thanks to the price freeze during the so called Cruzado Plan, of 1986, cost \$38, about half the current bus fare. When prices are kept steady, goods tend to disappear, and the Cruzado Plan was no different; Brazil's airports became flop houses as stranded passengers waited hours for an available seat.

It's not always easy to pinpoint a nation's turning point, but 1994 has to be a modern Brazilian watershed. That was the year of the Plano Real, a radical new stabilization plan named for the eponymous currency, backed this time by fiscal discipline, not a price freeze or any of the other "heterodox" hocus pocus of former plans. Brazilians were skeptical and who could blame them, after a quarter century of band-aid reforms and Monopoly money?

Today, with foreign investors tripping over themselves to pour money into Brazil, the real has outgunned the world's top 16 currencies, from Euro to Yen, gaining 13 percent against the dollar this year alone, and nearly 60 percent since 2004. To my knowledge Brazilian supermodel Gisele Bündchen never actually turned down work for U.S. dollars, but when the rumor that she had went viral in Brazil I knew the earth had shifted in this part of the hemisphere. Now it's outbound Brazilians changing their reals into wads of greenbacks and having the time of their lives in Paris or Disney World.

You don't have to go that far to watch them frolic. The boom that has seen Brazil's economy soar has also deepened pockets. The country now boasts 20 billionaires on the Forbes list (up from just four in 2003) and 140 millionaires, a 19 percent rise year to year, against a 6 percent rise for the rest of the world. Boutique banks and private asset managers have decorated the skylines with their logos and heli-pads.

The bonanza is not just for those commuting in choppers. Climbing wages (overall payroll is up 16 percent year to year), a flood of consumer credit (growing by 30 percent yearly) and plenty of new jobs (1 million this year, 7.3 million since 2004), have hoisted countless poor into the consuming classes. Much is made of how China's surging economy has lifted tens of millions out of poverty. In fact, Dragonomics has increased the wealth gap, while Brazil has managed to reduce inequality at the same it booms. Brazil's poorest ten percent have seen their wages grow by 57 percent in real terms between 2002 and 2006, against a nine percent rise for the richest tenth, says economist and poverty scholar Marcelo Neri of the Fundação Getúlio Vargas, a business school.

And while the middle class in the developed world moans about slipping downmarket, Brazil's just keeps on rising. Some 20 million Brazilians have moved up to the middle class in the last decade, and are now putting 800 new cars a day on the road in São Paulo alone. Sound exaggerated? Check out rush hour.

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