

THE METROPOLIS OF AN ELITE SOCIETY

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São Paulo is the economic heart of Brazil and thus both its development in general and the specific features of this development are intertwined with the economic and social development of Brazil as a whole. These processes are outlined in this chapter from a standpoint according to which, rather at odds with the ‘new regionalism’ theory, its greatness and dynamism, but also its structural weaknesses are at a same time, a consequence and a means of reproduction, indeed an organic part, of the country’s development. Further, and again at odds with the ‘global cities’ or ‘network societies’ approach, the connections of São Paulo with the world economy materialize through the mediation of the nation-state it belongs to.

The conflicts ensuing from the line-up of forces in favour and against the implementation of neoliberal policies which dominated São Paulo in the nineties were a part of the same conflicts at work nationwide; and the prospects of development of these conflicts depend likewise on the way in which they will be fought out in Brazilian society as a whole.

1 São Paulo today



Figure 1: *Urbanization at the core of Mercosul*- A night view of southern Brazil, Paraguay, Uruguay and northern Argentina and Chile shows the intensity of urbanization in the region (from the supplement of the *National Geographic*, Oct. 98).

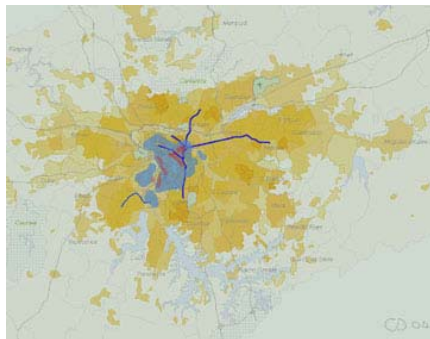


Figure 2: The overall structure The South-western sector concentrates most of the economic activities except manufactures (tertiary centres in red) and most of the higher income residential settlements (blue).

São Paulo is the largest urban agglomeration in South America, with a population of 18 million people (Figure 1). It lies at 800 m above sea level and at 60 km from the coast, at the margins of Tietê River which runs away from the coast to find its way into the Atlantic through the Paraná and Paraguay Rivers into the La Plata over 2000km further south. The climate is more temperate than in neighbouring (at 400km) Rio de Janeiro, which lies at the same latitude on the coast. The built area of 200.000ha spreads out from the original centre in a large octopus shape with a 70km East-West axis and a 50km North-South axis (Figure 2). The main mass of urbanization is bordered in the south by two water reservoirs and a steep slope where the plateau falls to sea level and by a hill range in the North. Thus most of the urbanizable land for expansion lies in the east and west.

The urban form is radio-concentric with more radial than tangential elements. High-income groups have traditionally occupied the South-western sector (in blue in the drawing of Figure 2). As the city grew the city centre started drifting South-west, as though following the high-income population. After several such leaps, new locations of office headquarters reach out as far about 15km from the old centre. São Paulo's centre today (in red in drawing of Figure 2) is something like a comet with a tail stretched out towards the south-west.

The South-western sector concentrates most of the economic activities except manufactures and most of the higher income residential settlements. The sector consists of a 15 to 20km long equilateral triangle provided with relatively high standard infrastructure, where the quality of the environment is fair and accessibility, reasonable. The original residential settlements consisted of low density detached houses up to the 1930-s, but high rise apartment blocks are now being built at rates twice as fast as housing and they already make up one third of the built stock in dwellings. The other sectors and the outer periphery consist of predominantly middle and working class residences, and



Figure 3: *The march of the smart districts towards south west: view over the Pinheiros River looking north.*

they are home to the bulk of manufacturing industry, which originally located along the railways (since 1850) and after 1950, along the newly built motorways. Here the conditions of the infrastructure and environmental quality are poor and often extremely poor.

A relatively new development is the mushrooming of *favelas* since the mid-seventies. These settlements were formed by invasion/squatting on generally public land and today *favela* dwellers make up about 15% of the urban population of the Metropolitan area – some two and half million people. These, together with the precarious stock of peripheral half-self-built housing coexist uneasily with big company headquarters in energy-thirsty glass towers dubbed 'intelligent' and tightly closed walled high income residential developments.

The roots of such extreme differences both in resident's income and the quality of the environment go back to the origins of São Paulo and Brazilian society itself.

2 The economic heart of modern Brazil

The formation of the national space

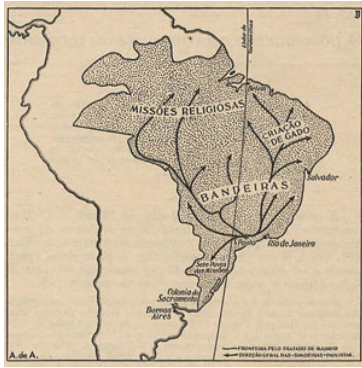


Figure 4: *Main directions of the bandeiras* –expeditions of exploration and conquest– from the starting point of São Paulo, which in a century and half extended Portuguese territory well beyond the originally agreed *Tordesilhas line* (longitude 49°W approx.) a little to the west of São Paulo. Source: Azevedo, Aroldo (1958) *Geografia do Brasil Nacional*, São Paulo

São Paulo is the largest South American metropolis, but it is also the youngest. Rio de Janeiro became the capital of the Portuguese colony in 1763 because of its coastal location and proximity to the mining region of Minas Gerais. Buenos Aires, in its turn, became capital of the new-born Vice-Kingdom of the River Plate by about the same time (1776), reflecting its growing economic weight at the expense of Lima. In contrast, up to as late as 1850 São Paulo had been little more than a jumping board for the '*bandeiras*', slave and gold hunting expeditions or military campaigns in the struggle against Spain for the south-western border regions. These were not unimportant and they helped to forge the confines of present-day Brazil well beyond westerly the *Tordesilhas line* (Figure 4), but they did not induce the formation of a great city so that São Paulo remained a small borough of hardly 15.000 people. But 1850 was also the year of the suspension of African slave trade and of the promulgation of the Land Laws, which instituted private property in land. In practical terms this set the conditions for the introduction of wage labour and capitalism in Brazil, about three decades after the Declaration of Independence (1822). With wage labour and capitalism came industrialisation and urbanisation and a period of high rates of accumulation and rapid growth, similar to that experienced in England in the eighteenth century. São Paulo was to become the centre of this process.

Since the early nineteenth century coffee had become the main export staple of Brazil and eventually it remained that for a century. Coffee production started in the State of Espírito Santo and soon began migrating southwest, going through Rio de Janeiro, and reaching São Paulo by the mid-nineteenth century. This was the time of the consolidation of the institutions of the new country after two and half decades of internal wars and as mentioned above, of the beginning of capitalist development. Thus São Paulo, which was then the centre of coffee production and thereby also of the

Brazilian economy, was to become the centre also of at first incipient, but gradually expanding industrialization.

For over half a century coffee remained Brazil's main export staple and during the same period rapid industrialisation and urbanisation made São Paulo the major industrial city in the country. When the world crisis of 1929 put an end to the 'coffee cycle', the leading position of São Paulo in the Brazilian economy had already been firmly established. Indeed, in spite of permanent curtailing of genuine development of home production, the ensuing balance of trade constraints made it necessary to broaden industrial production and to supply the rapidly increasing home market at least with the bulk of consumption goods. Under the effect of a peculiar and rather baffling stop-and-go policy, to an interpretation of which we return further below, a home industry of sizeable proportions and some complexity developed gradually, even though machinery and key industries were systematically kept out of the structure of home production or else left in the hands of foreign capital.

Cultural dynamism: Semana of '22

As a counterpart of São Paulo's economic dynamism, by the early 20th century it was becoming the country's cultural centre as well. An explicit bid for that position was made in 1922 (the centenary year of Independence as well) when a *paulista* group of artists –painters, poets, writers and musicians¹, produced a many-pronged event on arts under the name of *Semana de Arte Moderna* (Week of Modern Art) or *Semana de '22*, for short, and soon after launched a manifesto entitled *Manifesto antropofágico* “against all the importers of canned conscience”. Laying the foundations of the *movimento modernista*, in a declaration against academicism and for a valorisation of Brazilian culture and its expression in ‘modern’ forms, they effectively determined the main directions artistic production was to follow for over a generation. One of its most prestigious literary productions is *Macunaíma*, by Mário de Andrade, the *hero with no character at all*.

Macunaíma is a caustic satire of its author's society, but here we invoke it in for its references to São Paulo in

particular. Its hero is dropped into life in an indian tribe of the Amazonian jungle and starts it with a long yawn, saying: –Aw, what a laze... He spends his youth there having an eye mainly for women, including his relatives. Then he sets off on a long odyssey through the Amazonian forest, the description of which being a delicious anthology of folklore, and eventually arrives in the ‘city’ – and the ‘city’ is São Paulo. He writes his impressions back to his people:

Is São Paulo built on seven hills, in the traditional manner of Roma, the city caesarean, “capita” of Latinity which we descend from; and kisses its feet the gracious and unruly lymph of the *Tietê*. (...)

The city is most beautiful, and rewarding is its life. All cut by streets smartly narrow, taken by statues and lamp posts of most gracious and exquisite sculpture; all concurring to lessen the space in ways such that in these arteries scarce room there is left for people. Thus is obtained the effect of a gathering of numerous gents, the estimative of which may be augmented at leisure, which is propitious to the Elections, this invention of these most astute *mineiros*;² at the same time that the councillors are provided with ample subject with which earn they days of honour, with peaks of eloquence wrought in the purest style and sublime labour.

The aforesaid arteries all are recovered by fluttering paper stripes and bits and quick-sailing fruit peels; and foremost of the most finest dust, indefatigable dancer, spreading around fierce macrobes innumerable, which decimate the population...

Mário de Andrade: *Macunaíma*³

Except for its style, this description of São Paulo is not unreminiscent of William Morris’ description, half a century earlier, where he sums up “London and the great commercial cities of Britain as ‘mere masses of sordidness, filth and squalor, embroidered with patches of pompous and vulgar hideousness’ ” (Ashworth, 1954, p.171). But what society is this, which builds São Paulo in this manner?

Hindered accumulation in Brazil

Brazilian society is sharply different from the societies of the countries in the centres of world capitalism. A leading social scientist, Florestan Fernandes, called it an

elite society, as distinct from bourgeois, with an overprivileged ruling class (Fernandes, 1972). In turn, the material basis of this society is the reproduction of a peculiar modality of accumulation, or development, originated in the colonial status of Brazil before Independence (1822) and reproduced ever since. In this process, the surplus produced by society is divided into two parts: one of which is reinvested in the expansion of production (and to this extent, it is expanded reproduction, an accumulation process); while the other part is constantly ‘creamed off’ and sent abroad – expatriated – under such titles as profit remittance, service on foreign debt, unfavourable terms of trade and chronic deficit in ‘services’ (freight and insurance payments) with no counterpart whatsoever, in such a way that as much less is accumulated. Accumulation, therefore, but not of *all* the surplus produced, hence its name, *hindered accumulation* (Deák, 1988). The distinctive features of such an economy: soaring profit rates, no long-term credit or stable currency, denationalization of production, especially in the key branches of industry and precarious infrastructure would be seen, in a bourgeois capitalist society (such as obtain in ‘developed’ countries), as structural weaknesses of the economy, when they are in fact in Brazil the main instruments of the continued reproduction of the established *status quo*.

This peculiar form of economy –and the equally peculiar *elite* society it sustains – was able to reproduce itself for a century and a half, while (in the extensive stage of development⁴) rates of increase of production were high and the subdivision of the excess produce – notwithstanding the strains put on economy and society but which could, for the time being, be accommodated – proved themselves feasible.

The elite society develops its peculiar political forms as well. Thus, if democracy is the political form proper to bourgeois society, built on the idea of commonwealth and the concrete equality of citizens before the law, in elite societies it becomes a farce because overprivilegemen of the elite completely belies any notion of commonwealth, and equality before the law simply does not obtain.

Here is how a literary critique refers to the elite as portrayed by the first great Brazilian novelist Machado de Assis:

(Thus) life in Brazil imposed upon the bourgeois conscience a series of acrobatics which scandalise and irritate common sense ... Under such circumstances, as well as an offence, an offence is also the norm, and as well as a norm, the norm is also an offence... In this way, the Europeanized sectors of Brazilian society did take part in bourgeois civilization, although in a peculiar, semi-detached way, whereby they invoked it and defied it, alternately and indefinitely.

Roberto Schwarz: *Um mestre na periferia do capitalismo*, 1979

This is the logic behind political processes that frequently appear not making any sense at all. The elite constantly negates any notion of public interest, equality before the law, and many other principles basic to democracy. The elite make (boundless numbers of recklessly ambitious and ridiculously elaborate) laws just to break them, thus reasserting their authority in both movements: they can make the law and they can break it the next moment; and this movement is socially accepted as *normal*.

As to spatial organization, which provides physical support for production, whether nationwide or within the urban agglomerations, we have chronically precarious and unevenly distributed infrastructure and fragmentation rather than homogenization of space. This explains not a little of the spatial organization in São Paulo which will be discussed further below.

Countrywide infrastructure building eloquently illustrates the ways of hindered accumulation. In an early period of capitalist development (second half of the nineteenth century), the *totality* of railways –both tracks and rolling stock– could be imported from England, and were indeed, built and operated by British companies: coffee exports and some increase of foreign debt were able as yet to pay for it; whereas when came the time of a new transportation technique, the 'motor age', at a time, too, that coffee exports and prices slumped in the 1929 crisis and failed to recover even

after the War, it quickly became clear that all cars could not be imported and a powerful motor industry was set up, but entirely made up by subsidiaries of foreign companies. In 1959 the first home-made car –the Beetle– rolled out of the first car maker –Volkswagen–'s assembly line, and other plants soon followed suit. By the seventies the country had become the third largest car maker after the US and Japan.



Figure 5: *Brazil, 1964, 1980 and 1990: Paved road network.* - The unification of the home market was realized very recently by a paved road network centred on São Paulo – reminiscent of the paths of the *bandeiras* (Figure 4 above). Source: IBGE, in Schiffer (1992).

The cars and trucks –which were by then becoming the main means of transportation– needed roads and a country-wide network was built in less than 30 years almost from nothing (Figure 5). Its design clearly shows the central position of São Paulo. Now for the first time an infrastructure was provided for an unified home market –a condition of capitalist development, which had never been provided by the railways a century earlier, composed as they were by isolated stretches running towards the coast, designed exclusively for the transport of the export staple, coffee. Now catering for the home market, hitherto provided by imports on the reverse way of exports, gave São Paulo a new and crucial role and henceforth its dynamism became based on manufacturing rather than on an ephemeral export staple.

By the end of the 1970-s and after a decade of exceptionally rapid growth -- which had been dubbed the 'Brazilian economic miracle'--, Brazil rose to seventh in the ranking of the world's largest national products, with a variegated structure of manufactures dominated by car production. The share of São Paulo State in the Brazilian GDP in manufacturing amounted to over 42% and half of this was concentrated in the Metropolitan Region itself. This was accompanied by massive urbanization, and in the century between 1870-1970 São Paulo grew from a small town of 23,000 people to become a major metropolis of over 7 million.

The urban process with rapid growth in São Paulo

The economic developments outlined above induced an urban process which started with a century of extremely rapid growth. Over 5% yearly demographic growth rates

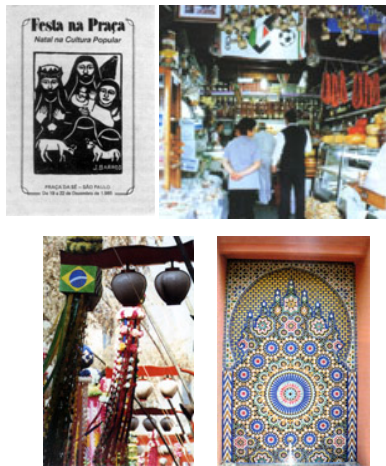


Figure 6: *Ethnic groups in São Paulo*: Poster of northern immigrants' Christmas proms, Italian grocery, Japanese torii-decorated street and Arabic fountain. *Source*: SMC-Secretaria Municipal da Cultura (1995) *Revista do Patrimônio histórico* No 3, São Paulo

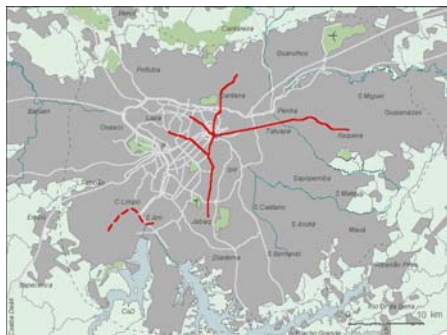


Figure 7 *The main road (light grey) and Metrô (red) structure*, where an isolated stretch of recently finished (2002) Metrô line in the south-western periphery is also shown.

were predominantly based of course on immigration. People came both from other parts of the country, notably from the north-eastern region, but immigration from abroad also made significant contributions and São Paulo became a multi-ethnic city with over a million-strong Italian and Portuguese, somewhat lesser German and Japanese communities and over a dozen lesser groups from Europe and Asia (Figure 6). As it has been already stated, in this period of rapid growth other contrasts in the pattern of urbanization also developed.

A generally precarious infrastructure coupled with a concentration of investment in limited areas which then become 'privileged' induces more differentiation than homogeneity into the urban space. The main road network for example, as shown in Figure 10 further below, is heavily concentrated in the south western sector. In fact this is the preferential settlement area of the elite and it concentrates most of the investment in virtually any component of infrastructure. Price differentials are high and a clear spatial segregation according to household income results in the south western sector, as mentioned earlier.

Traditional fragmentation of space leaves many age-old barriers in São Paulo waiting to be transposed to allow a better integration of its isolated portions. Most times it is merely lack of investment, so as in the foregoing example, in some cases, however, there is deliberate barrier-reinforcing *through* investment. Such is the case of a controversial monorail line currently being built *along* the Tamanduetéi River which will reinforce an already almost intransposable barrier formed by the canal, sided by highways on either side and an old railway track, between the poorly structured but populous Eastern Zone and the job-rich south western sector.

Waste of resources is also usual in spatial organization, as illustrated by the ways of the Metrô building, in which after some years of no new development suddenly appeared from nowhere (because not in any urban or transportation plan) work on an isolated stretch in the south western periphery utterly useless because unconnected to the existing network (as shown

in *Figure 7*). Observe that this is not just an isolated incident: it is a method of systematically destroying common sense and the notions both of 'obvious' and of 'nonsense'. For then such 'absurdities' as systematic or *ad hoc* overprivilegement of the elite as a whole or of their individual members gets lost in the maze of nonsense, whereas every 'obvious' need (such as, let us say, the building of a decent mass transport system in an 18 million metropolis, cf. *Figure 12* further below) will have to be proven by means of heavy scientific reasoning and great rhetorical eloquence. Here is the spirit described by Machado de Assis as discussed by Roberto Schwarz in the earlier quotation working in actual practice...

One of the main consequences of the acute lack of transport facilities –apart, of course, of the tremendous loss of time spent in travelling, increased air pollution, noise and other environmental costs– is the decay of the town centre, which became gradually inaccessible by car on the ever more saturated road structure and therefore to the whole wealthy south western sector, the only direction from the centre in which there is no Metrô line.

Similar levels of scarcity prevail also in other items of infrastructure: although there is running water over almost the whole urban area the pipes go empty at the first longer period of draught for some days of the week –first in the periphery–, and the sewer network covers not much over 70% of the dwellings. 'Poor country, precarious infrastructure' has been seen almost as a natural phenomenon. After the ebbing of the 'economic miracle' –in fact, the end of the extensive stage of development (and correspondingly rapid urbanization) a new pattern of urbanization emerged, a stage of consolidation, and no longer of galloping growth, which however, still failed to lead to improvement of the urban infrastructure.

3 Slowdown and crisis

The crisis of hindered accumulation

By the mid-seventies in Brazil the stage of extensive accumulation –with high rates of excess produce, easily split into a part to be expatriated while an other part still could be accumulated– came to a halt. The country became predominantly urban, wage labour had been generalized and expansion of production henceforward became restricted largely to technical progress and the associated increase of productivity of labour.

If the process of hindered accumulation was feasible in the extensive stage with rapid growth, it became problematic with the exhaustion of this stage and the concomitant fall of the rate of surplus, by about the mid-nineteen seventies. Henceforth *either* the surplus was to be accumulated – and gave rise to unhindered development, rise of the level of subsistence of labour and ultimately, the demise of elite society–, *or* it was to be expatriated, annihilating thereby any development or even simply growth at all. Either way, the reproduction of elite society was checked, having lost its basis in hindered accumulation. There is no choice *within* the premiss of the reproduction of the *status quo*.

This is the underlying cause of the dead end (*impasse*) Brazilian society finds itself in and which it fails to face openly, and which materialized ultimately first in one 'lost decade' (as the eighties were dubbed), to be followed by a second and now by a third decade, of economic stagnation and social disarray.

The stalemate

Thus the period preceding the nineties was dominated by the crisis of hindered accumulation in the mid-seventies.

At first there was a move, after the 'miracle' years, to defy the rule of imposing a recession after a period of expansion (1974), but soon the *II PND* (II National Development Plan) was abandoned (1976) and the hindrances to development were gradually reimposed once again and recessive policies drove the Brazilian economy into a nose-dive (the 1981-83 slump) followed by a period of stagnation that has been lasting for some twenty years so far (the two 'lost decades'). Much of

what is told below about the urban process in São Paulo is a consequence of this trap from which so far Brazilian society was not able to find its way out.

São Paulo: slow growth and consolidation

Since the mid-seventies, two major trends made themselves felt in the São Paulo Metropolitan Region. First, its growth rate fell to an almost vegetative level with a drastic slow-down in the rural-urban migration intake. It still grew of course and today it is an agglomeration of some 18 million people, but at growth rates barely above vegetative levels (currently at 1,5% p.a), the odds are that it will not reach much over 23 million people by 2020. Secondly, São Paulo started a transition from being a predominantly industrial region to become a major commercial, financial and services centre. Such trends reflect broader trends at the national level: in consequence of a fall in demographic growth rate coupled with an already high level of urbanisation (80% in 2000, being 98% in the State of São Paulo), the process of migration from rural to urban areas has slowed down and the times of high rates of urban growth were gone. On the other hand, manufacturing started losing its share in GDP nationwide (as it did, indeed, worldwide) at the expense of finance and services.



Figure 8: *Sharp contrasts in the city* earned São Paulo the epithet of "dual city" in a reference to the coexistence of extreme poverty and opulence side by side.

At slower growth rates and in a stage of consolidation, it became easier, in a way, to discern the distinguishing features of the urban process in São Paulo than at the times of runaway growth. In particular, São Paulo being the economic centre of the Brazilian process of *hindered* accumulation, the effects of the economic hindrances have always made themselves acutely felt at the level of the metropolitan region both in the purely spatial organization and in their consequences for the urban environment and the subsistence level of the workers. We already mentioned the glaring contrasts apparent at first sight to any newcomer or casual visitor to São Paulo, as well as the underlying causes of those extremes, among them precarious infrastructure, fragmentation of space, and deliberate waste of resources often coupled with offence to reason. However, in the times of rapid growth the latter was

frequently invoked as a reason, or indeed an excuse for poor urban conditions: it is impossible to administer and provide infrastructure for a city that doubles its population every ten years – it has been said.

Now it did not grow as fast any more, yet there was still no improvement in the urban conditions. It is true that the eighties were entirely taken by the 1981-4 recession, reconversion from military to civil government (1984) and an institutional adjustment that culminated in the 1988 Constitution already mentioned. But before a new pattern of urbanization could mature on the basis of these developments, and could be assessed in its own terms, an utterly new wave of ideology changed the pattern of thinking and doing urbanism again: neoliberalism landed in Brazil, somewhat belatedly with respect to the central countries, by the close of the decade of 1980.

4 São Paulo in the nineties

The era of neoliberalism

During the twentieth century, and especially after the second world war, it became clear that the new forms of capitalism which were developing were nothing like 'classical' capitalism of the industrial revolution or the Victorian Age. One important change was that there was now definitely no new room for expansion –the whole world had already been conquered by wage labour and commodity production. This meant that any increase in commodity production could only proceed through an increase of the productivity of labour. This was, in fact, a new stage of capitalism, called the stage of intensive accumulation, or, for short, the intensive stage.

One of the crucial things about contemporary capitalism is the crucial role of techniques and technical progress, which became the sole source of growth (and therefore, of profit). As a result, the level of subsistence of workers was greatly increased: more health, more education, more leisure time and better urban environment, all are necessary to operate the increasingly sophisticated productive processes and

provide an equally increasing variety of services in the greatly reduced working day. This is the material basis of the welfare state and its political form, social democracy.

During the Welfare State years and in fact, in the intensive stage of capitalism, there has been a manifold increase of state intervention in the economy and a corresponding decrease of commodity production regulated by the market (see *Table 1* below). That was tolerable while there was room for growth, but it became crushing with the petering out of the post-war boom in the late sixties. Neoliberalism came as an attempt at restoring the primacy of the commodity form in contemporary capitalism.

Table 1

Government spending as share of GNP, 1880-1985

Selected countries (%)

Year	Great Britain	Germany	France	Japan	Sweden	US
1880	10	10	15	11	6	8
1929	24	31	19	19	8	10
1960	32	32	35	18	31	28
1985	48	47	52	33	65	37

World Bank, World Development Report 1991, Washington

However, the expansion of the State is a consequence of the development of capitalism and of the ever greater complexity of the structure of production and thus hardly a reversible process. Indeed, the period covered by *Table 1* already includes ten years of Reaganism/Thatcherism and no effect of them on the expansion of the State is noticeable.⁵

Failing in reducing the presence of the State in the economy, neoliberal policies are in fact a reduction of the welfare state, as noted as early as in 1982 (Gough, 1982) and concentration of capital and income, as Ball *et alii* (1989) have shown in an early assessment of two terms of the Thatcher government in office. In support of its policies, neoliberalism has been producing an increasing body of ideology with a welter of neologisms (globalization, network society, new regionalism or strategic planning, for a few examples), which in turn has been attracting an equally increasing chorus of criticism (Brenner, 2002; Gill, 1995, Jessop, 1998 or Peck, 2001, for a short list).

Neoliberalism in Brazil

The questions related to globalization, rolling back of the State, new regionalism and ultimately, neoliberalism, have of course been widely discussed in Brazil as well and have attracted varying degrees of criticism about everywhere except in government circles. These writers are among those most sceptical towards its ideas (Deák, 1994, Schiffer, 2002). In their view globalization and its companion terms are at best pseudo-concepts created to present the contemporary features of economy and society as though they were a new stage of capitalism and thus present what are in fact tenets of neoliberalism as 'positive' and in any case inevitable developments. At worst the same are simply a cover for regressive policies *aimed at* implementing those changes which were presented as inevitable.

Thus in the Brazilian elite society neoliberalism as a policy also became dominant just as in central countries; but on top of promoting privatization and concentration of capital and income it acquired here an additional meaning: it became a new cover for old *entreguismo*. In addition to the traditional 'agricultural vocation', now also 'globalization' is invoked to justify – or alternatively, present as unavoidable – open door policies which offer up the home market to unequal competition from abroad. Always, as before, there is careful selection of key branches of industry which are targeted to go over to foreign control, as will be illustrated further below.

There is, however, a serious mismatch between hindered accumulation and neoliberalism. This is that neoliberalism is a reaction to social democracy and the welfare State, or more generally, to the consequences of the intensive stage of development. But Brazil has never entered this stage – this is precisely the question that causes the stalemate referred to earlier. Thus there is no room whatsoever for capital or income concentration, or dismantling of the Welfare State, which are the main results of neoliberal policies in the central countries, and thus neoliberal policies, controversial in the centre, here become simply pointless. This adds not a little to the

disarray caused by the crisis of hindered accumulation in consequence of the impending transition to intensive accumulation. Especially at the political level, the irruption of neoliberalism in the early nineties aborted an embryonary –and already problematic, because in the elite society– social democratic opening.

A concrete outcome of the double stalemate was a host of recessive policies alternated from time to time with some easing of them as though to let off some steam. These resulted, in the end, in the two 'wasted decades' mentioned earlier. The statistics for the two last decades show no real movement of income distribution, only oscillations and ephemeral distributive effects of monetary stabilizations (1986, 89, 94). As for the economy, the oscillation of the classical stop-and-go policy rose to such frequency that it was now dubbed 'chicken flight'.

Because home production will soon have to be expanded (as always, in the face of the balance of payments constraint), *entreguismo* –the handing out of control of key branches over to foreign capital, whereby no internal forces demanding unhindered development will be born– is intensified. We mentioned already that strategic branches of industry are the first to go. This is vividly illustrated by a few figures: the share of foreign capital in Brazilian industry increased overall (from 36% in 1991 to 54% by 1999), but it increased even more, and from an already higher level, in the machinery and high-tech industries – from 60% to a crippling 87%.

At the same time surplus expatriation intensified: foreign debt servicing plus deficit on services amounted to US\$ 75bn in 2001 and again in 2002 – about 11-12% of GDP (depending on the currency conversion rates). Meanwhile internal debt shot up and in eight years government revenue was raised by 50% (from 26% to 37% through 1995-2002) just to service it, since investment remained stagnant, in a broad movement of transfer from productive to banking capital.

The nineties thus became a period of virtual stagnation combined with a structural weakening of the economy. The instruments of de-structuring and slowing

production down were reimposed and as it were, perfected. An overvalued currency (under the guise of monetary ‘stabilization’) gave the middle classes a feeling of welfare because of easy purchase of consumer goods, much of it from abroad, while one-third of Brazilian firms went bankrupt and the trade balance slumped into red, adding to the already heavy foreign debt. Interest rates soared to over 15% and even 30% – allegedly, to *attract* foreign investment necessary to close the balance of payments deficit– asphyxiated the productive structure as a whole, while the country *sent abroad* the treble of speculative (short term) capital inflows (the afore mentioned US\$ 75 billion paid out against some 23 bn inflow in 2001). Import taxes were down to negligible or even zero and import goods were exempt even of VAT – in a *de facto* negative stimulus to home industry. It is then no wonder that both unemployment and ‘informality’ rose higher than in the core countries, and this made itself felt primarily in the great urban agglomerations, which were helpless to do anything about it.

São Paulo in the nineties: infrastructure provision

As mentioned already, the level and quality of infrastructure has always been kept at low levels in the elite society. But even in that context the nineties saw a sharp downturn and investment in infrastructure virtually stalled. At the national level the most acute cases were *power generation* which led to a nationwide shortage and actual blackout in 1999 which only did not get worse because the recessive policies kept production at minimum levels and high idle capacity, as well as *telecommunications* which were starved of investment to the point of bankruptcy with an additional and rather more specific purpose: namely, its devalorization and then privatization. Apart from these, however, roads, railways, sanitation ... all suffered.

Within the São Paulo metropolitan region the worst case was perhaps the halt of an already very slow Metrô building. As mentioned earlier, the latter started belatedly in the early 1970-s when São Paulo had already 7 million inhabitants, at an average rate of 2 km

Table 2
Greater São Paulo, 1992-2002
Length of traffic bottlenecks in rush hours (km)

Year	Morning	Evening
1992	28	39
1993	37	54
1994	66	96
1995	67	98
1996	80	122
1997	65	109
1998	66	103
1999	67	115
2000	72	117
2001	85	116
2002*	108	124

*Value for 2002 is average in March only.

Source: CET - Companhia de Engenharia de Tráfego, 1998. The table was updated in 2002 to show the effect of traffic restriction in peak hours (one-fifth of all cars forbidden in central area) introduced in 1997.

yearly. That was so slow, that by 1990, when São Paulo had already grown to an agglomeration of 16 million people, the metrô network was merely 45 km long, composed of 2 lines and half. But then work on it stopped altogether, just when work on the all-important South-western line was about to start. Traffic jams increased dramatically (see *Table 2*), and urban mobility remained stagnant: even though between 1987 and 1997 car ownership rate was up 50% from 14 to 20 cars for every hundred people, the number of daily car trips *per capita* remained the same (0,6 trips/day/cap). There was simply no room in the streets for the new cars...

It is to be noted that such slowdown in infrastructure building was not, of course, a result of any explicitly stated policy – on the contrary, we will see below that planning became ever less ambitious to the point of becoming self-effacing. There were, however, indirect reasons, outside the reach of local governments, for a more strict restraint on infrastructure investment during the 1990-s than was usual in the elite society. In a 'letter of agreement' of 1992 to the IMF, Brazil assumed the definition that any investment of the State (meaning any level of government) is deficit spending, having no return whatsoever to be accounted against it. In an amazing complementation to this, some years later the federal government enacted a law according to which although budgets are to be strictly observed and no government body is allowed to overspend, loan contracts do not come under this rule and can be freely spent – of course it has to be repaid some day, but this becomes invisible to the present-day government in office, especially in a local government. Thus, unbelievably, investment became pure waste whereas a loan became free money.

Income distribution

During the stagnation years of the 'wasted decades' São Paulo followed the Brazilian pattern and *per capita* income barely remained stagnant; and there was no change in household income distribution either. On this score São Paulo is only slightly better off than Brazil, which is among the most unequal income distributions in the world (*Table 3*).

Table 3

SÃO PAULO STATE, BRAZIL AND SELECTED COUNTRIES, 1999
INCOME DISTRIBUTION

	Gini idx	10% poorest	Quintiles of income, in increasing order of personal income (%)					10% richest
			1	2	3	4	5	
São Paulo State	0,51	1,6	4,3	7,9	11,6	18,8	57,4	41,2
Brazil	0,57	1,0	3,3	6,4	10,6	17,9	61,8	45,7
South Africa	0,59	1,1	2,9	5,5	9,2	17,7	64,8	45,9
China	0,42	2,2	5,5	9,8	14,9	22,3	47,5	30,9
India	0,30	4,1	9,2	13,0	16,8	21,7	39,3	25,0
Germany	0,28	3,7	9,0	13,5	17,5	22,9	37,1	22,6

Source: Fundação IBGE(Brazil); Fundação Seade (São Paulo State), World Bank (other countries).



Figure 9 PUB-Plano Urbanístico Básico for São Paulo, 1968. Alternatives of urban structure (top left), preferred structure (top right), and proposed Metrô and expressway networks (bottom left and right).

Figure 10 The 39 boroughs of legal São Paulo Metropolitan Region: In red, the City of São Paulo itself, within which *Regional Administrations* (sub-prefectures, since 2002) are also shown. In light yellow, the urban agglomeration proper (built-up area). The already weak legal status of the Metropolitan Region suffered a further loss after the 1988 Constitution which increased municipal autonomy.*Planning: from 'development' to 'strategic'*

Development plans saw their heydays in the 1960-s and early 70-s, epitomized by the 1968 PUB (*Plano Urbanístico Básico*): a long term, comprehensive plan, with encompassing analysis and propositions for the urban structure as a whole and complemented with sectoral plans for infrastructure components (Figure 9). When the slowdown came by the mid-seventies, *planning* gradually became restricted to *sectoral planning* and after the 1981-3 recession it was virtually dying out.

Then the 1988 Constitution made it compulsory for every municipality except the smallest –under 20 000 inhabitants– to elaborate its plan (*Plano Diretor*), but now they became very different in scope. The first plan so issued for São Paulo (1990) –*municipality* only (for the administrative division of the Metropolitan Region, see Figure 10)– already contained some elements in it which subsequently became generalized. It called for participation in its elaboration, although nothing really came out of that, it was very vague in directives; and it already made use, in a pioneer and experimental way, of the concepts, or rather instruments, of 'interlinked operations' (an early form of the later 'urban operations' discussed below) and the sale of building rights above certain floor and up to certain ceiling levels fixed according to regions of the city.

That was only a start; and while public administration and its governing bodies were being ever more disqualified on account of the standard (neoliberal) charges of inefficiency and centrality, there was a

mushrooming of new forms of spatial organization in the framework of a variety of new combinations of public, semi-public and private associations, such as councils, consortia, associations, NGO-s (discussed in some detail in the next Chapter), or simply any pressure groups and *ad hoc* assemblies around strategic projects or urban operations.

'Strategic planning', as it became known, was to become the new form of planning to deal with specific and particular 'problems' of the city – promoted to 'problems' by a pressure group, rather than the administration on the basis of an overall view of the city or in the name of collective interest. It has at its disposal a number of new instruments, prominent among which is *urban operations*. These were consolidated in a 2001 federal law known as the *Statute of the city* to deal with specific portions of urban areas, according to specific purposes. They were inspired in France's ZAC-s: *Zones d'aménagement concerté*, and in São Paulo's own pioneering 'interlinked operations' since the early nineties mentioned above.

The rationale is well known: urban operations are to be applied in areas with potential intensification of land use, provided that additional or upgraded infrastructure is implemented. The operation itself consists in the provision of precisely that infrastructure generally through a mix of private and public investment. This would lead to a valorisation of real estate in the area and the local government would intercept part of it through the sale of building rights above a certain coefficient. Such practice has attracted the criticism that it allows investment-capable groups to attract further investment from the part of the State and get additional concessions in the form of tax rebates or relaxed land use restrictions, slackening further the control of the overall urban structure.

Paradigmatic of the new planning is the *Plano diretor 2001-2010*, also called strategic, of municipal São Paulo. It starts out with an analysis of the urban structure, which is then used to identify a set of areas, mostly along the main axes of the city, recommended for urban operations (with a view at the upgrading and/or

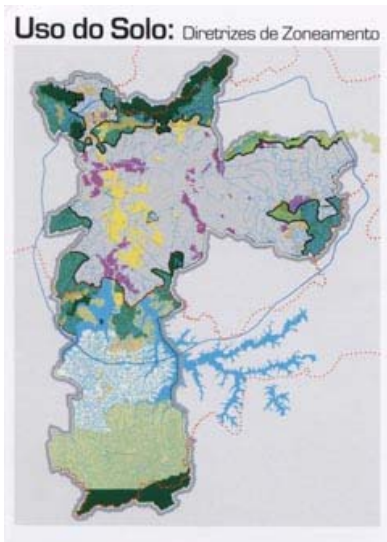


Figure 11: *Plano diretor 2001-2010* Land use zoning is limited to a few specific uses, such as predominantly (high income) residential districts (yellow), predominantly industrial districts (violet) and a number of environmental protection zones (shades of green).

intensification of land use) to be planned in the future. The guidelines for land use regulation are rather limited, to a few specific uses, such as predominantly (high income) residential districts, predominantly industrial districts and a number of environmental protection zones (see Figure 11). In the vein of decentralization and participation, the Plan calls for more detailed local plans to be elaborated by the recently created sub-prefectures. These felt, in varying degrees, a number of difficulties in making their local plans, stemming from lack of qualified personnel and of a reliable database, and in some cases, especially where they happened to contain crucial elements of the overall urban structure, from lack of general guidelines concerning those elements (which had been left to be defined in the future by urban operations). It may be hoped that some of the difficulties of decentralized planning will be eased with time and a consolidation of the process, but even then the problem of administrative fragmentation of the Metropolitan Region as a whole will still remain.

Apart from creating urban operations, the *Statute of the City* transformed a number of planning concepts into concrete instruments of control, such as the *social function of private property* in land, a basis for expropriation, *zones of social interest*, for facilitating low-income settlements, and *progressive property tax*—both according to time of idleness and to increasing value— a powerful means of taxation and induction of more efficient land use. However, the precise contours of the use of these instruments are yet to be drawn.

Tertiarization and deindustrialization

One of the most debated trends felt in the São Paulo Metropolitan Region is the loss of industrial jobs. This has been seen as decentralization towards the hinterland, mainly São Paulo State, or towards Brazil as a whole, and it is really true that the share of São Paulo in industrial produce has been falling with respect to both greater regions (an measure of which, as reflected in the evolution of industrial built floorspace and compared to other uses can be assessed by the data of Table 4 below). An interpretation of this process requires, however, putting it into broader perspective.

Table 4

São Paulo Municipality, 1985, 1990, 1995 & 2000
Built floor space by building type (million sq.m)

	1985	1990	1995	2000
housing	116	122	135	143
flats	52	68	83	100
commerce	26	32	46	59
office bldg	5	8	28	32
industry	24	34	34	29
other	25	38	8	26

Source: Sempla, several years.

One the broadest trends in contemporary capitalism is the fall of the proportion of workers in the manufacturing industry, due to the increase in productivity without a corresponding increase in the size of the markets. Thus the loss of manufactures – or of manufacturing jobs – in São Paulo can only partly be ascribed to decentralization: another part of it is *tertiarization*. As for the latter, again, it is not an effect of some 'globalization' but simply the local manifestation of a general tendency of world capitalism. The distinction matters, because if it is decentralization, São Paulo might 'fight back' and try to reverse the tendency; whereas if it is tertiarization in contemporary capitalism, São Paulo has to be prepared for more tertiarization and restructure its urban policies and above all, tax revenues. These are currently based mainly on taxes on industrial products –primarily, the VAT– and comparatively less on the taxation of services and of real estate (land and built property). These two latter will have to form the bulk of the revenue in a 'tertiary metropolis' and this means that the whole system of taxation along with its information and database has to be overhauled.

It goes without saying that the prospects regarding one of the greatest concerns of the metropolitan agglomerations, that is to say, unemployment, as well as any policy for easing it (currently at 13,6% in São Paulo slightly above Brazilian average at 12,8%, or compared to 8,7% in the UE and 6% in the US) also depend on the interpretation of those tendencies regarding deindustrialization/ tertiarization.

The nineties: a balance

Summing up the nineties, it can be said that, firstly, city-region administration is as disrupted as ever (the metropolitan planning entity Gegran/Emplasa always had a fragile existence and barely survives today) although there has been a change in form. If before the State did much planning upon the empty assertion that it is in the public interest, even if a good part of this was pure make-believe, now it openly says it does less on the equally empty assertion that this is more 'efficient', whereas the purpose of planning (public interest) is substituted with 'participation' – which can easily be construed as a populist legitimization of the absence, or weakening, of planning.-

Secondly, there was a shift from the public to the private 'sector', a move to privatization of public services, which is now being reassessed and reconsidered on the basis of the first, frequently disastrous results (as in power generation and telecommunications, but also in transports or environment conservation), with at least a strengthening of the regulating bodies, and there has been even talk of the need for a 'recovery of the capacity of planning', both at the metropolitan as well as at the national levels.

Thirdly, there are signs of as yet embryonic reactions to a policy of continued maintenance of the current precarious levels of infrastructure, in the form of a number of larger scale initiatives as for example in the fields of transports, where resuming the initiative in Metrô building (see *Figure 12*) seems to be seriously considered (although voices arguing for 'cheap' solutions, such as exclusive bus lanes, aerial bus or rail tracks and the like never die), but also in communications, quality of the environment and public facilities.

Oddly enough (one might think), on these scores, the political orientation of the mayors of São Paulo municipality in office –a first time ever *Partido dos Trabalhadores-PT* (Workers' Party) administration (1988-92) was followed by two right wing administrations to be reverted, in turn, back to the *PT*– seems to make no difference. There did have been lesser differences concerning specific policies, such as more emphasis on

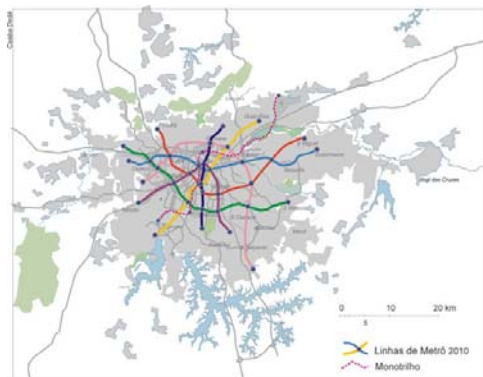


Figure 12 *A Metrô network for São Paulo*– A Metrô network more to the scale of São Paulo such as the one pictured here was designed in the late 80's (about 250 km of track). It would be able to give cohesion back to the metropolitan agglomeration, transpose natural barriers, ensure the centre's accessibility and cater for some 8 mn daily trips, half of about 16 mn demanded on public transport. After a nine-year lull in Metrô building, the State Secretariat for Metropolitan Transport has recently (2000) adopted a plan for building a network very similar to the one pictured above in 20 years.

social housing and public transports (buses only, since the Metrô is under the authority of São Paulo State) by 'leftist' governments, as against stress on road and highway building and slum or favela clearance in 'noble' areas claimed for gentrification by right wing administrations, at no sufficient scale or scope, however, to affect the broader trends referred to above.

No full account or assessment of these can be given in the space available here, but we may probably construe those trends and signs as an indication that as so much else, neoliberal policies, having already run most of their course, are not going to last for ever either.

The prospects for São Paulo

The best alternatives and projects referred to above, if implemented, apart from bringing new levels of urban infrastructure and services would also indicate that Brazilian society is finally ready for a far-reaching change to its historic pattern of development. They would only make sense in combination with a national resolve for real development and reversal of the reproduction of the *status quo*. In fact, this would not be far from the vision of the optimistic scenario of a recent (1994), but also half-forgotten, Emplasa metropolitan plan –*Plano Metropolitano de Desenvolvimento Integrado*. Public expenditure would be put on a footing consistent with the potential status of São Paulo as world-city. Schooling, higher education and public health levels would be upgraded to ensure the formation a skilled workforce needed to keep up with the requirements of technical progress in manufacturing, hi-tech infrastructure and telecommunications, research and development as well as with a widening range of services and expanding leisure time.

In short, it would mean that some of the development potential of the most developed part of South America, the core of Mercosul, has a good chance of being realised. Brazil, for one, must be one of the few large countries, along with China and India, which possess ample room for growth *not* dependent on conjunctures of the 'world economy' or exports because based on the



Figure 13 The Latin crescent in Mercosul (light green) and Latin America aggregates about half of the population of Mercosul and is home to some half a dozen world cities.

expansion of the *home* market. It is worth mentioning that the biggest metropolitan agglomerations of the region –São Paulo, Buenos Aires and Rio de Janeiro– will certainly compete for the status of 'world city' and for the position of being the main centre of development and prestige, within Mercosul, but this competition is like a contest between rivalling football teams where each plays better because it plays the *other* and both gain in skill, experience and the thrill of the match. In the same way, there is little doubt but that say, Buenos Aires, is far more in its potential within Mercosul than in Argentina alone, or that both São Paulo and Rio de Janeiro carry more weight due to their proximity to each other – to say nothing of Santiago de Chile which from its isolation at the *other side* of the Andes can ascend to become a part of the 'Latin crescent' and indeed, its outlet to the Pacific. There is certainly room for several world cities in the region – let us recall only that London and Paris are separated merely by 300 km, rather less than the distance from São Paulo to Rio.

Just how much of the potential development of these metropolises shall materialize will rise or fall depending crucially on their own development plans, on the development policies of their respective nations and even on the development and the level of integration of the Mercosul region as a whole.

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Notes

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- ¹ Di Cavalcanti, Anita Malfatti, Tarsila do Amaral, Victor Brecheret; Oswald de Andrade, Manuel Bandeira, Carlos Drummond de Andrade; Mário de Andrade; and Heitor Villa-Lobos among the most renowned artists.
- ² *Mineiros*: people from the neighbouring Minas Gerais State, the second strongest in the country both in population and economy, an occasional rival of São Paulo.
- ³ Andrade, Mário (1926). *Translation C.D.*
- ⁴ We use the concepts of *extensive* and *intensive* stages of development as in Aglietta (1976).

⁵ This series was discontinued afterwards, but the table below suggests that the State continued to expand after 1985:

CENTRAL GOVERNMENT REVENUE IN CENTRAL COUNTRIES, 1970 & 1998
Share in the National Produce (% of GDP)

1970	1998
19%	30%

Obs.: Excludes local and state governments and state enterprises
(*Source:* http://www.worldbank.org/data/wdi2000/pdfs/tab1_5.pdf)