



# URBAN UPDATE

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## Urbanization and Poverty Reduction

SUBSIDIES TO A RESEARCH AGENDA AND BEYOND

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I shall try to describe the importance of establishing links between short term and long-term projects intended to reduce poverty, illustrating these issues with the recent experiences of São Paulo, Brazil.

I shall start with a short commentary on mobile societies, the global economy and the meaning of sustainable development. As our main and final aim is the elimination of poverty and not just its reduction, I shall then outline the links between long-term objectives and urgent short-term strategies. Finally, I will reflect upon poverty reduction efforts undertaken in São Paulo by Mayor Marta Suplicy during her 2001-2004 term when I served as Planning Secretary. Based on this experience, I shall propose some topics for the research agenda on poverty and urbanization.



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### THREE PRELIMINARY COMMENTS

Humankind is currently living through a period of great *physical and social mobility*. The process of acculturation of Europe, whose countries are not reproducing their population, but are receiving large numbers of immigrants from their former colonies and from poorer eastern European countries, will

eventually result in a transformed society. But the stressful process of acculturation dramatically arouses all kind of tensions and prejudices.

On the African scene, rural to urban migration is swelling cities at an unbelievable pace. In few years Lagos will rank as the third largest megacity in the world. The hardship of rural life in this continent and the hope that the modernity of cities means survival from rural misery pushes members of disrupted families to migrate. Similar trends in urbanization can be seen in China, although within the specific context of state-oriented introduction and expansion of capitalism. Tensions between rural and urban, the swelling of cities and the unfair status of those

of modernity, ends up in cities of all sizes, including megacities such as São Paulo.

Social mobility is currently enhanced by global connectivity, accelerating the speed of transformations. Social mobility means not only geographical displacements but also opportunities to advance along the social ladder. However in the Brazilian case, where the social pattern of economic life marked by the late abolition of slavery (1888), inequality--the gap between rich and poor--might increase, aggravating poverty.

This leads me to a second comment: the *new unstable rules of globalization*. During the last decade there was an effort to “reduce and regulate the state in order to give more liberty to the market.” The result, even before the final disastrous effects of this policy in Argentina, was a new phase of neo-monopolism through corporate fusions and an amazing concentration of capital,

the destruction of labor and the increase of poverty and inequalities, both globally and within developing countries. Even neo-liberal authors are now calling for “regulation of the market in order to give more liberty to society and state.”

The new social context, always very mobile and in constant transformation, gave birth to newly rich as well as to newly poor people. The middle class in many countries lost the benefits of welfare states and employment, and descended into poverty brackets.

The malfunction of capitalism in the present global context gave birth to a number of studies on its future, either through reflexive transformations, or through policy regulation

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## “There are no good winds for navigators who don’t know where to go”

SENECA (4 BC. - 65 AC.)

who work in cities but are officially residents of rural regions, bring new dramatic conflicts and inequalities. (Saskia Sassen speaks of the new inequalities brought along by globalization).

Social mobility in the “New World” has a different historical context, especially in the US and in Brazil, large countries with diversified economies. The melting of many different waves of European migrants and African slaves with the native Indian culture, resulted in a very special Brazilian culture that relates to its vast available territory with constant domestic migrations. This mobile society, still very dynamic and constantly transforming, easily absorbing the inputs

and limits on its power. One has to recall the fact that “capitalism” is not the same as “market economy”; the latter existed many centuries before capitalism was invented, although the former has been an efficient operator of the market since the mercantilism of the XVII century. During this century I believe that the link between the market and capitalism will have to adapt to the globalization of the economy, the acceleration of all processes and the new social paradigms of global connectivity and an eventual “knowledge society”. The necessary transformation of capitalism might result in some kind of regime called “social capitalism” or “free-market socialism”!

For the present time, the efficiency of the global economy, as it is applied, has created new poverty problems and also a mounting assault on the Earth’s non-renewable natural resources. This brings me to a third comment: what does *sustainable development* mean? “Sustainable” was an adjective applied to the noun “development” as a reminder that economic growth based on the dramatic depletion of natural resources would have a short life. Thus, the term received a *green* coloring that remains today. In the current context we must admit that the sustainability of development also depends on the permanence of other factors, like employment or simply decent work. In order to develop strategies for poverty reduction, we should remember that with no forests we shall have no water, without labor we shall have a different society, and

without oil we shall have to establish a post-petroleum civilization. In other words: *the long-term challenges and aims are very significant for short-term strategies.*

When one has governmental responsibilities it is easy to plot the *urgent demands* of people; and government has to tackle these diverse issues. However, they are not necessarily *fundamental issues* for development that designs the future

## “Brazil is not an underdeveloped country. It is an unfair country”

F.H. CARDOSO (1931-)

life and opportunities of those same people. Governments should deal with these issues too. This is true for policy considerations that address poverty. Although the reduction of poverty means the design and implementation of necessary actions, these actions should be strategic to the incremental transformation toward the end of poverty. In other words, short-term strategies should be linked to long-term policies.

### THE CASE OF SÃO PAULO, BRAZIL

I shall now describe strategic action undertaken in São Paulo to reduce poverty during the four years (2001–2004) of the PT (Workers Party) local government led by Mayor Marta Suplicy, during which I was Planning Secretary, and together with Marcio Pochmann, Secretary of Labor, was responsible for programming and policy implementation for poverty reduction.

São Paulo’s main policy during those four years was the *inclusion* of neglected citizens living primarily at the periphery of the metropolis. Inclusion meant poverty reduction strategies as well as the provision of

health facilities, new modern schools with cultural and sport activities, computer centers, reduced price 2-hour bus tickets, special zones for popular housing markets, and the setting up of productive units in the periphery. The programs intended to achieve inclusive results were deployed mainly in those areas previously deemed by an academic report as “districts of exclusion”. The strategies were clearly meant to combat inequity, violence and poverty.

The direct social inclusion program covered almost half a million families: 2.1 million people (20% of total population). With a budget of approximately US\$400 million, positive results could be shown after just four years of gradual implementation. The poverty reduction strategy considered immediate effects as well as future transformations. It had 4 *income distribution* programs, 3 *emancipatory* programs and 2 *local development* programs.

The *income distribution program* deployed four axes of action: (a) the distribution of additional income to approximately 200,000 families earning less than the minimal legal income (currently equivalent to US\$130 per month); (b) working scholarships of US\$60 to 60,000 young workers and students between the ages of 16 and 20; (c) a “starting again” scholarship of US\$90 to 55,000 unemployed adults over the age of 40 who needed to learn a new profession; and, (d) temporary jobs in districts of the periphery for 14,000 people.

The *emancipatory program* focused on local potential for starting new economies, new working conditions and jobs, and self-employment. Initially (a) several industrial nurseries were set up: simple lofts or sheds housing more than one starting industry, with common facilities, established under

the title of “solidarity economy”. The program also operated (b) the Popular Bank (a new branch of the national Banco do Brasil) whose microcredit program financed US\$6 million to start new economic activities.

Finally, the *local development program* tried to establish local productive chains complementing existing small businesses and facilitating their implementation in order to assure a more permanent basis for jobs and the local economy.

During those four years, 45,000 families of São Paulo,  $\frac{3}{4}$  of whom were living in the selected districts where the programs were implemented, were lifted from the statistical poverty bracket. The current municipal unemployment rate of 17.8% would have reached 19.4% without the implementation of those programs. Homicides and school evasion indicators fell to lower levels precisely in those districts of exclusion where the government acted.

Most of these programs were not abandoned by the current administration, particularly the income distribution program. Law and decrees established them all, which makes them politically more stable. And once you start to feed a family with money they expect to receive monthly through

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“Money has become a parasite that devours economy”

ANDRE GORZ (1924-)

these social programs, it is very unpopular to reduce the amount or to stop the program. Most families were entitled to more than one program; thus the financial help was, at their

level, quite substantial. And it even reflected on the local business: in those districts of exclusion small commerce was enhanced and corresponding taxes increased.

### **SUGGESTING SUBSIDIES FOR A RESEARCH AGENDA**

The initial comments and the examples from São Paulo are put forward as a subsidy to the debate that should feed decisions concerning research objectives for the coming years, on the issue of poverty reduction and the UN goals for the Millennium.

Those dealing with urban issues should address the problem of urban social exclusion in order to set all poverty reduction studies and research in the long-term perspective of a more equitable society. In other words: our main interest relies on reaching a more just society in which poverty would come to an end.

For this purpose several themes could be listed, not only analyzing the local experiences of short-term strategies, like the São Paulo case, but also researching theories and general ideas generated with the aim of a more just society. In order to debate this perspective, I will list some possible topics:

- Regional cultural character of urbanization and its effects on poverty
- Free-market and new capitalism: new frontiers and regulation
- The 21st century sustainable development: environment and decent work
- Towards a post-petroleum civilization
- Labor and decent work in global and local economies
- Long-term planning and incremental short-term strategies
- Urban and rural poverty: regional aspects
- Public policies focused on social inclusion

I believe the present debate will reach a new level of urban focus, very much linked to the new realities brought along by new paradigms, like global connectivity, physical and social mobility, increased social inequalities, virtual fluxes and physical realities, as well as the real necessity of inventing new methods to build knowledge.

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