Of States and Cities
The Partitioning of Urban Space

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EDITORS' PREFACE

Geography and environmental studies are two closely related and burgeoning fields of academic enquiry. Both have grown rapidly over the past two decades. At once catholic in its approach and yet strongly committed to a comprehensive understanding of the world, geography has focused upon the interaction between global and local phenomena. Environmental studies, on the other hand, have shared with the discipline of geography an engagement with different disciplines, addressing wide-ranging environmental issues in the scientific community and the policy community of great significance. Ranging from the analysis of climate change and physical processes to the cultural dislocations of post-modernism and human geography, these two fields of enquiry have been in the forefront of attempts to comprehend transformations taking place in the world, manifesting themselves in a variety of separate but interrelated spatial processes.

The 'Oxford Geographical and Environmental Studies' series aims to reflect this diversity and engagement. It aims to publish the best and original research studies in the two related fields and in doing so, to demonstrate the significance of geographical and environmental perspectives for understanding the contemporary world. As a consequence, its scope is international and ranges widely in terms of its topics, approaches, and methodologies. Its authors are welcomed from all corners of the globe. We hope the series will assist in redefining the frontiers of knowledge and build bridges within the fields of geography and environmental studies. We hope also that it will cement links with topics and approaches that have originated outside the strict confines of these disciplines. Resulting studies will contribute to frontiers of research and knowledge as well as representing individually the fruits of particular and diverse specialist expertise in the traditions of scholarly publication.

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Economic Restructuring and Urban Segregation in Sao Paulo

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Introduction

The spatial changes in the Sao Paulo Metropolitan Area can be assessed in terms of its economic development from the late 1800s, when coffee production spurred the city's emergence as Brazil's economic centre, through the 1990s, when the nation had to restructure the whole of its economy to fit into today's patterns of economic globalization.

The main factor determining Sao Paulo's current form is the nature of Brazilian society. In Brazil, an 'elite society' controls the nation's economy by employing a process of 'hindered accumulation', designed to restrain the development of productive forces and to control the production of space through the ongoing association of the nation's elite with foreign capital.

Although immigrants (mainly Italian, Japanese, Jewish, German) formed ethnic clusters in the first decades of the 20th century, the most significant urban segregation in Sao Paulo is segregation by class. The urban pattern that developed alongside post-industrialization (i.e., after 1950) preserved a radial form expanding out from the colonial nucleus, and is characterized by the settling of lower-income groups in the outskirts of the city.

During the 1990s, the elite society maintained economic control, guaranteed by the country's ability to adapt to global economic patterns. Although new economic measures have been introduced and changes in the role of the state have been called for, there have not been structural changes, a fact that has resulted in a continuing imbalance in Brazilian society. This is strongly reflected in the urban space of the Sao Paulo Metropolitan Area.

As Brazil's main economic centre, this metropolis today demonstrates increasing urban segregation. Simultaneous to the expansion of advanced economic activities and the flourishing of expensive leisure activities and shops in upper-class districts has been unemployment and a great increase in violence, primarily in the outlying, lower-income areas. The sizeable growth of people living in slums and favelas occurs side by side with an expansion of...
Controlling the Production of Space in Sao Paulo

The Sao Paulo Metropolitan Area, created in 1973, comprises an area of 8,051 km², and includes 39 municipalities, subdivided into 137 districts. It is populated by 16,583,234 inhabitants, according to the 1996 official population survey. The municipality of Sao Paulo, the state's capital, is the largest municipality in both size (1,509 km² containing 96 of the total 137 metropolitan districts) and population (9,839,436 inhabitants in 1996, representing 59.3 per cent of the total metropolitan population). It is the largest Brazilian city.

The recent urban and socio-economic changes in the Sao Paulo Metropolitan Area cannot be attributed essentially to the present stage of internationalization of the economy, although the effects of internationalization can clearly be observed in the arrangement of metropolitan space. To understand the prevalent shape of urban form and the social relations that comprise it, we have to look back to the foundations of Brazilian society, in particular to the control exerted on the production of national space and the development of urban agglomerations.

As mentioned by Preteceille (1997:67), most studies since the mid 1980s that address the dynamics of urban change in world metropolises emphasize international processes as a main determinant. He claims that increasing international integration in trade and financial markets tends to overpower national economies, weakening the influence of their historically unique national socio-economic processes.

In our view, in developing countries at least, one cannot deny the importance of states as mediators between international capitalists and domestic economies at each stage of development, including that of the present. In fact, state intervention in Brazil serves the ultimate interests of dominant national groups. The consequential effects on the nation, in terms of both economy and space, are a result of how these interests interconnect with the historical process underway during a certain period of time. Referring to Latin America, Fernandes (1973; 59-60, 96) attributes, the continuing and constant renovation of [its] subordination to foreign patterns through a very complex type of interconnection (partially spontaneous and partially planned, guided and controlled) between economies, societies and cultures of unequal development. . . However, what connects them is an internal decision of the bourgeoisie, which has the autonomy to choose alternative solutions, and the power to impose their will. To this end, they are able to capture national interests and to use the State to attain their goals . . . At the same time that dependent capitalism imposes heteronomous economic, social and political standpoints, it also offers major privileges to the high and middle classes as a primary mechanism of self-defense and of preservation of the internal basis for dominating relations.

According to Fernandes (1973), this is how an elite society is formed. Interpreting this process, Deak (1999) proposes that the material basis for the reproduction of the national elite is a 'process of hindered accumulation', reminiscent of the colonial period. This process is designed to control the development of productive forces, to restrain them whenever their advance represents a force antagonistic to the prevalent economic model. Deak (1999: 31) stresses that,

on the level of social relations, the form of capitalism characterizing Brazilian society differs from other forms because it is an elite society, distinct from the bourgeoisie society, where the reification of social relations is not complete . . . since the principle of generalization of the commodity form does not predominate. Regarding the organization of production, the same prerequisites apply to ranking surplus expatriation over domestic accumulation . . .

The guarantee of effective control over the domestic economy offered by the national elite facilitates partnerships with foreign capital.

Based on these premises, we can argue that the Brazilian economy has been dictated by the relations between national and foreign capital, designed to maintain domination by the elite through a process of hindered accumulation. These relations were made possible by the state, which implements economic and legal measures internally, organizes public investments, and disseminates ideology, all in order to assure an ongoing economic process.

One of the central mechanisms used by the Brazilian elite to ensure its internal dominance is to control the intensity and nature of the national production of space, creating homogeneity by installing the infrastructure needed to allow the flow of capital, goods, and labour (Deak 1999), while simultaneously recreating urban and regional inequalities.

Focusing on cities, Villaca (1998: 148) attributes spatial segregation to disputes within localities, either between social groups (in the case of ethnic segregation) or between social classes. In regard to social classes, these disputes imply struggle, insofar as class segregation in urban space is 'a necessary process for the exercise of political domination and for the unequal appropriation of spatial resources, understood as the product of human work and the determinant force of the urban structure' (Villaca 1999: 221). Although this process can be considered universal, in developing countries the socio-economic contrasts in urban space are much deeper, expressing powerful inequities, exposing both unacceptable misery and absurd wealth.

In this sense, we can argue that the control of economic development by the ruling classes also requires that spatial segregation be shaped in a distinct manner. The range of spatial differentiation among segregated areas, whether regional or urban, in both physical and social terms, is determined by the particular stage of development of society, as measured by political and socio-
economic, rather than macro-economic, indicators. It also means that the current process of urban segregation in the Sao Paulo Metropolitan Area cannot be understood without examining the historical development of its economy and spatial organization.

**Historical Development of the Sao Paulo Metropolitan Area**

Founded in 1554 on the site of a Jesuit church, Sao Paulo City lies on a plateau. For about three centuries, it was a small commercial depot into which state agricultural produce from inland regions en route to the port of Santos was channelled. The city saw sweeping expansion and economic ascent following the introduction of coffee plantations and the production of coffee in the state in the second half of the 19th century. The construction of a railroad network centred on Sao Paulo City resulted in the city’s economic prominence and its position at the core of the Brazilian economy. The railroad network enabled the transport of coffee through the port of Santos, replacing the traditional port of Rio de Janeiro.

Another important factor in the economic consolidation of Sao Paulo was the introduction of salaried labour for coffee production, as opposed to the slave labour that was used in sugar cane production in the Northeast. For more than three hundred years, sugar cane had been Brazil’s main export commodity. As the pace of coffee production quickened, both the opening of virgin land and a greater number of workers to work the land were required. The need for additional workers was filled by a large contingent of European immigrants, initially mostly Italians.

According to Matos (1958: 89), the urban form of Sao Paulo was reshaped just after 1880-90, with growing diversification of urban functions. The rapid expansion of the small colonial nucleus at that time led to spatial segregation. Workers’ districts and higher-income residential areas started to be built at a distance from each other. Spatial class segregation was illustrated by Petroni (1958:105), who noticed sometime in the first decade of the 20th century ‘what could be observed as an interspersing of manufacturing plants, mostly of small and medium size, among worker homes’ in manufacturing areas, predominantly along the railways.

It was at this time that two of the factors most determinant in the structuring of the Brazilian metropolis (particularly Sao Paulo) came into play: the location of manufacturers and the location of high-income housing areas.

By 1910, segregation had definitely had an effect on urban form:

The city was divided into two major areas, and the Tamanduatei river acted as the divider between the two. Both areas were interconnected [at the Northeast side of the city], but only by a few roads. The two areas grew into two distinct cities, into twin cities . . . On one hand, there was the downtown area and the West, Southwes, and South districts [mainly occupied by the higher-income groups]. On the other hand, there was the neighbourhood of Bras and its extension toward the East side of the city where the workers settled and where the manufacturing district was established. (Petroni 1958:115)

Coffee production also attracted national and foreign immigration to Sao Paulo City, to such an extent that its population almost doubled in ten years, totalling 1,046,530 inhabitants in 1934. During the first three decades of the 20th century, growth of the city also meant greater urban segregation. This was reinforced by the uneven installation of public infrastructure and transport, as reported by Petroni (1958: 130-6). He observed that the first-provided and best-served areas were those occupied by higher-income groups and the downtown, which housed local businesses. This pattern emerged because the installation of a basic public infrastructure, including water, electricity, sewage, streetcars, and telephones, was governed by the logic of profit. These public services were provided by private companies through legal concessions. Since the public service contracts involved only the legal urban area, remarkable differences in land prices resulted between this primary area and the unserved neighbouring rural areas (Rolnik 1999), a fact that eventually had major implications for the local real estate market.

The higher-income housing areas expanded towards the Southwest side of the city, after the construction, in 1891, of Avenida Paulista, a development with a complete infrastructure, built by private capital (Rolnik 1999). Here, coffee plantation owners settled and built their mansions. The so-called ‘garden district’ residential areas were developed, also toward the Southwest, for the upper class after 1915, mainly during the 1930s. The first was named Jardim America (American Garden); others followed. They were planned and built by a British real estate company, ‘Companhia City’.

The City [Company] bought 12 million nr of land, mainly in the South and West sides of the city. The success of the enterprise, however, was guaranteed by an association of interests of three parties: the City [Company], an English capital company, the Brazilian Light and Power company, which at that time had a streetcar transport and electric power monopoly in [Sao Paulo] City, and the Sao Paulo Municipal government. When the Garden district was opened, it guaranteed residents streetcar transport, water and power. (Leme 1999: 300)

Villaca (1998: 227) points out that the lower-income groups, composed mainly of production workers and former plantation household servants that had moved into town, ‘participated in producing two types of lower income housing areas . . . : the downtown area, frequent in the second half of the 19th century, and the outskirts, first settled in the early 20th century, when the lower classes were expelled from the historical centre. Until today, the outskirts are the major loci of the poor.’ Today, the outskirts consist mostly of precarious,
self-built homes. When the upper class began abandoning the downtown area during the 1960s, the central area again became the loci of lower-income housing, much of it occupied by squatters.

Foreign immigration also had a role in the spatial organization of Sao Paulo City. Immigration peaked around 1920 and continued at different intensities until just before 1950. Italians and other newcomers, such as Japanese, Germans, Jews, and Arabs, were involved in urban activities such as commerce, specialized manual work, and manufacturing. They occupied specific low-cost areas around the historical centre. During the second half of the 20th century, the ethnic ghettos gradually dispersed and were replaced by a spatial organization based on class segregation. Today, the only exception is what remains of the Japanese centre; most immigrants were integrated into the urban fabric according to their income levels.

In the early 20th century, coffee production profits were gradually and continuously transferred to the manufacturing sector, so that by the late 1940s, coffee was no longer the predominant source of revenue in Sao Paulo State.

The urban expansion that would soon shape Greater Sao Paulo accompanied the rapid growth of the manufacturing industry along the railways, especially along the line to the port of Santos, whose terminal was located at the Southeast side of the city. The industrialization of peripheral cities began around 1940 in the neighbouring municipalities of Sao Caetano do Sul and Santo Andre to the south east, Guarulhos to the north east, and Osasco to the west.

Between 1955 and 1960, a major influx of foreign capital, mainly in the automobile industry, strengthened the economic primacy of the Sao Paulo Metropolitan Area; indeed, its share of national manufacturing value-added rose to over 50 per cent by 1960. The axis of industrialization then revolved around the main state highways, especially those leading to Rio de Janeiro (Presidente Dutra) and to the port of Santos (Via Anchieta). The latter reinforced the industrialization of the Southeast, which became one of the nation's largest manufacturing centres, including the municipalities of Santo Andre, Sao Bernardo, Sao Caetano, and Diadema (EMPLASA 1994).

A pronounced process of urban expansion, encompassing most of the small suburban centres and the already high-density built-up area has been the general pattern since the late 1940s. It was sparked primarily by the occupation of empty lots within the consolidated urban area and also by the vertical growth of residential districts (Langenbuch 1971: 179). Somekh (1997: 24) indicates that rising vertical expansion between 1940 and 1956 can be attributed largely to the demand for small flats, such as studio apartments. With the introduction of legislation that established building guidelines that constrained construction by the end of the 1950s, vertical growth was seen mostly in the higher-income areas. This represented an important element in the segregation of the city: 79 per cent of the districts with the greatest increase in vertical building in 1979 were concentrated in the Southwest side of Sao Paulo City, an area largely occupied by higher-income groups (Somekh 1997).

After 1960, the local real estate market for middle- and high-income groups quickly developed, creating opportunities for profit from vertical growth or the development of new commercial areas (sometimes involving gentrification) which were moving away from the traditional downtown area towards the Southwest side of the city (Villaca 1998). This process was led by the upper classes in order to bring most of the dynamic economic activities and government institutions closer to their newly established residential areas, and has been ongoing ever since.

Since the mid 1970s, the Sao Paulo Metropolitan Area's manufacturing industry has been undergoing decentralization. This process can be attributed more to the strengthening of the local trade unions than to disadvantages arising from agglomeration. In the late 1970s, the unions achieved salary gains by striking. This caused an upheaval in the wage control system used by employers (Storper 1984). Although the transfer of manufacturing plants to other cities was intense, the process cannot be interpreted as one of de-industrialization. Notwithstanding, most head offices have remained in this region (Lencioni 1996), and the Sao Paulo Metropolitan Area's share of national manufacturing value-added was still about 21 per cent as late as 1996.

In fact, the Sao Paulo Metropolitan Area became a tertiary-oriented region, a process similar to that experienced by most major cities of developing countries in the period before 1990. So the predominance of the tertiary sector in both the city and the metropolis has not followed the same route as job distribution. Although the tertiary sector labour force has increased more than the manufacturing sector labour force, this difference in growth has been much higher than the production performance of these two sectors, strongly impacting job offers, as shall be discussed later.

In addition, the economic crisis faced by Brazil since the early 1980s has taken its toll on the labour market. The most evident result is the increase in informal jobs and other forms of non-legal job contracts, which do not offer official guarantees, such as paid vacation, social security, etc., to employees. This process marked the 1990s to an even greater extent, as discussed below.

The immediate impact was a decline in the population growth rate in both Sao Paulo Metropolitan Area, and more intensely, in the city of Sao Paulo. According to the official census, this growth rate averaged 19 per cent per annum and 12 per cent per annum from 1980 to 1991 in the metropolitan area and the city, respectively, as compared with 4.5 per cent per annum and 3.7 per cent per annum from 1970 to 1980.

The consequence for the urban form was a new process of occupation emerging during the 1980s, an invasion of mostly public land and the creation of new favelas. 'What is new in this process is that the lower-income groups do not need to pay for the land anymore' (Villaca 1998: 235). The predominant
area of invasion was the city’s South side, since it was relatively close to the city’s wealthiest area (the Southwest), where informal jobs could be obtained.

Since the mid 1970s, there has been an increase in average density, which has been spreading from central to peripheral areas. The increase in average density in the central area was due to the expanding vertical growth of the wealthiest districts, whereas the increase in average density in the periphery was mostly due to high low-income housing congestion. Both aspects are further detailed in the following section, in which the metropolis’ recent spatial form is discussed.

Alongside these local processes, Sao Paulo has had to deal with shifts in the world economy, particularly after the early 1990s, when Brazil introduced strong institutional and economic measures to ensure its inclusion in the globalized economy, as discussed in the following section. These measures have had major impacts on the city, both spatially and socio-economically.

Trends in the Brazilian Economy During the 1990s

The economic stagnation of leading countries began in the early 1970s, characterized by a decreasing per capita GNP growth rate and the downgrading of industrial production. According to the editors of the Monthly Review (1992/9) these were the driving forces behind the introduction of new rules for international accumulation, an effort to seize new opportunities for capital profitability. The new set of competitive bases introduced since then has enhanced ‘the freedom of markets and the spirit of cooperation, presumably developing among ruling classes of different nations, in consonance with higher levels of globalization’ (Monthly Review 1992/10).

The Brazilian ruling class has seen in the new international economic order an opportunity to preserve its internal hegemony, which has been weakened by the economic crisis that has persisted since 1981. ‘Globalization patterns’ were firmly introduced into the Brazilian economy during the 1990s, using an ideological approach. That is, national development was enhanced by attracting foreign capital, either to provide direct investments or to force the modernization of national industry’s technology and management in order to meet new competitive standards.

In the previous period, particularly between 1950 and 1980, the Brazilian state acted as a monopolistic supplier of infrastructure services and controlled most heavy industry. During the 1990s, discourse regarding the development of an ideal state was based on liberal precepts, despite the fact that strong state intervention was actually crucial to attain ‘market’ goals.

Two great historical challenges had to be met—huge price inflation that soared to almost 80 per cent a month by late 1989 and the promotion of a general opening of the economy—as prerequisites for Brazil’s integration into prevalent international financial and trade markets.

Some of the key measures taken in this period can be summarized as follows:

1. Abrupt reduction of the import tax on a long list of products.
2. Deregulation of specific sectors to allow for the greater inflow of foreign capital, either in the financial sector (stock market, commercial and investment banks), or in the production sector.
3. Implementation of the ‘Piano Real’ in July 1994, designed to control inflation, which introduced high annual interest rates.
4. Privatization of state-owned heavy industry, and later, of the telecommunications industry, and concessions for private operation of electric power and highway systems.
5. Reorganization of the state structure, justified by claiming historical inefficiency and lack of resources due to a government fiscal imbalance.

The sudden introduction of most of the measures stated above, especially the opening of the economy, has had important effects on both the overall performance of the manufacturing sector and the labour market. Soares (1998: 272) concludes that ‘the indiscriminate deregulation of imports... had an enormous destructive potential. Whole segments of our [i.e., the Brazilian] economy were dismantled, with all the well-known economic and social side effects, for instance, the de-engagement of part of the labour force’.

Overall, despite the effects of this dubious economic transition, Brazil’s economic performance since the early 1990s has been marked by persisting hindered accumulation, based once more on a recessionary economy, and coming at the expense of social investment. This process has also impacted urban and regional development and planning.

Brazil’s ongoing ‘liberal’ restructuring has focused on the role of municipalities, as both national and regional approaches to forming urban policies have been abandoned. This has been justified by the argument that it is more appropriate for municipalities to address ‘local problems’ and community demands. Municipalities have also been privileged targets for official financing, including financing from the World Bank. This new source of financing reflects an important change from previous trends of financing the state. This approach entails more than a mere substitution of the ‘urban planning’ concept for the ‘local management’ concept, as it prevents any possible action to address structural problems, which can be solved only at the federal level. Although issues like income distribution, structural unemployment, social exclusion, etc., are local political matters, it is not the duty of the municipality to address them.

It is worth noting the spread of the following ideological doctrine: namely that, today, because of the recurrent ‘fiscal imbalance’ of the state, jobs are mostly created through direct foreign investment, particularly in the manufacturing sector. This belief has provoked an overall tax war among the federal
states, with the involvement of municipalities as well, entailing offers of special privileges to new investors. In addition to the public installation of required infrastructure at no cost to private capital, local (or state) governments offer long-term tax subsidies to guarantee the profitability of private investments. Based on the assessment of a number of case studies, Piancastelli and Perobelli (1996) concluded that the direct and indirect financial benefits offered by the states and municipalities fell far short of providing a positive return on investment, even considering the prospective new jobs or the (doubtful) agglomeration effects that could ensue.

Some local efforts to rechannel new investments in Brazil have been successful, particularly those aimed at attracting manufacturing assembly lines. The general trend, however, is an increasing concentration of capital and the expansion of advanced services and businesses in Sao Paulo. The city continues to attract a more diversified supply of leisure and cultural events, as well as private investments geared to the higher-skilled labour force. These tendencies have left their mark on the spatial configuration of the city's metropolitan area, reshaping the urban form according to the political and socio-economic processes underway.

The Recent Spatial Form of the Metropolis

The Sao Paulo Metropolitan Area, as Brazil's leading economic centre, has reacted more quickly than other areas to broad national efforts to adapt to the recent increase in the internationalization of the economy. Its reaction has been characterized by two opposing trends. On one hand, the city of Sao Paulo has attracted an increasing concentration of specialized and technologically advanced activities, including financial services, business conferences, 'designer' international shops, and diversified leisure activities (Schiffer 2001). It has also accumulated the benefits of heftier investments, namely direct and infrastructure ventures, and has built up its skilled labour force. On the other hand, it is the locus of social dislocations resulting from greater globalization, such as growing unemployment and informal employment, increasing violence, and expanding urban squatter settlements.

It can be assumed that the urbanization process in the state of Sao Paulo, which was partially responsible for the intense metropolitan population growth rate, especially from 1950 to 1980, has ended: an official survey by the FIBGE (1996) reports that just 6.9 per cent of the whole state population was classified as rural in 1996. The decline in the population growth rate as of 1980 indicates an end to the status of the Sao Paulo Metropolitan Area as the region's main destination of immigration. Nonetheless, it is remarkable that despite even lower growth rates from 1991 to 1996 (1.4 and 0.4 per cent per annum for the Sao Paulo Metropolitan Area and the City, respectively) than during the previous decade the population increased from 1980 to 1996 (in absolute numbers) by 3,961,448 in Greater Sao Paulo and by 1,318,550 in the city proper. This population growth creates considerable demand for housing, jobs, and public services. This is exacerbated by the fact that the geographical distribution of population growth within the metropolitan area is quite irregular, as indicated in Figs 7.1 (a) and (b), with negative growth rates in the more established areas, where the higher-income population lives, and positive rates in the outskirts, where there are already serious deficiencies in the social and urban infrastructure, particularly in transport and telecommunications.

Overall, during the 1990s, the duality of the urban structure of the metropolis has intensified. Characterizing this duality is the existence of districts well served by advanced infrastructure alongside districts with scarce basic infrastructure; high levels of unemployment and unskilled employment contrasting with employees paid the highest wages in the nation; luxurious buildings equipped with all sorts of advanced electronic technology to serve the business-oriented international economy coexisting with the favelas that house an increasing number of people.

Changes in the Labour Market

Ever since the mid 1970s, the metropolitan manufacturing sector has been undergoing a pronounced process of assembly line and management restructuring aimed at increasing productivity. In practice, this has led to a huge decrease in job offers. The national economic changes of the 1990s, as previously discussed, had even greater impacts on the metropolitan labour market.

According to research conducted by Cacciamali (1991, 1998), the main changes in the composition of the metropolitan area's labour market between 1985 and 1995, were: (i) a growth in the number of non-registered and unlicensed workers and informal jobs; (ii) an increasing number of sole proprietorships and small companies; (iii) a drop in average wages in all economic sectors and job levels; (iv) an increase in total unemployment; and (v) a growing predominance of tertiary sector jobs (including informal jobs) over manufacturing sector jobs.

In respect to economic performance, following the world trend of the last few decades, the metropolitan area has increased its value-added related to the tertiary sector from 20.5 per cent of total value-added produced in 1985 to 37.7 per cent in 1995. At the same time, the value-added share for the manufacturing sector fell from 75.7 per cent to 58.0 per cent. This trend has been more intense in Sao Paulo City, where there has been a dramatic shift in the sectoral composition of value-added, with an increase from 28.8 per cent to 46.2 per cent in the tertiary sector, and a decline from 69.1 per cent to 49.1 per cent in the manufacturing sector in the same period (FSEADE, tables selected from the website, May 1999).
Meanwhile, the correlated increase in tertiary jobs did not make up for the jobs lost in the manufacturing sector, resulting in a sharp rise in the unemployment rate, which has been increasing substantially ever since 1989. In March of 1989, the unemployment rate was 7.5 per cent for Sao Paulo City and 7.7 per cent for the Metropolitan Area; by March of 1999 it had soared to 16.8 per cent and 18.1 per cent, respectively. Unemployment is slightly higher in the municipalities surrounding Sao Paulo City, mainly because these areas are predominantly occupied by manufacturing sector workers, and consequently have been most affected by the restructuring of this sector. Taking March 1988 as base 100 for the metropolitan job level in the manufacturing sector, by March 1999 the level had declined to 67.5. In addition, the portion of the working-age population in informal jobs has also climbed, from 12.2 per cent in 1989, to 14.7 per cent in mid 1996 (Montagner and Springer 1997).

Especially noteworthy is the fact that the spatial distribution of tertiary jobs within the metropolis indicates a high concentration in the wealthiest areas, as shown on Fig. 7.2. These data also provide a clear picture of spatial segregation, especially when compared to the spatial distribution of household incomes (Figs 7.3a and b).

Salaries in all income brackets have been affected by the current Brazilian economic recession and the performance of the metropolitan economy, a fact with major repercussions for the average household income. Although this is higher in Sao Paulo City than in the Sao Paulo Metropolitan Area, a general decline was observed between 1989 and 1996: from R$2,654 to R$1,681 in the
Growing unemployment and the fall of average real wages, on one hand, and the concentration of capital within Sao Paulo City, on the other, have had an important spatial impact on urban segregation, particularly in the housing sector.

**Housing Segregation**

Although the Sao Paulo Metropolitan Area has maintained a radial form and has never adopted the peripheral upper-class model associated with urbanization in the United States, the establishment of elite residential areas towards the Southwest resulted in a very exclusionary urban pattern, since the benefits of unequally installed modern infrastructure favoured the wealthiest areas. This pattern can readily be seen in Figs 7.3a and b, showing the lowest and highest household incomes. In fact, the spatial distribution of the income brackets essentially replicates the distribution found within the metropolis of most social indicators, such as public health and education, transport facilities, and location of squatter settlements.

The physical and legal constraints on urban occupation, in addition to the high price of land at the core of Sao Paulo City, have led to a pattern of peripheral low-income housing occupation. After the mid 1970s, this process crossed over city boundaries, and the lower-income population was literally pushed into the neighbouring municipalities, to such an extent that by 1996, Guarulhos had become the second largest city (in terms of population) in the state of Sao Paulo, behind only Sao Paulo City itself. Concurrent with the great increase of land invasions in the inner city (as described above) was an increase in the inhabitants per room index (Fig. 7.4) for lower-income homes in the metropolitan peripheral areas and vertical growth in the inner districts. These processes together have reorganized urban density among the metropolitan districts, tending to lessen the differences between districts (Fig. 7.5). The precariousness of most peripheral occupation in the metropolitan area, assessed by the number of inhabitants per room, reveals a very dense and inadequate housing situation.

In the metropolitan area, there has been a growing aggravation of housing problems, with a sharp decrease in the supply and financing of housing for low-income groups, following the restructuring of the federal system for housing funding in 1986. This has resulted in a greater portion of the population living in favelas. Whereas the FIPE/SEHAB survey counted 1.1 per cent of the population living in favelas in Sao Paulo City in 1987, the percentage soared to 19.3 per cent in 1993, a percentage that represents almost 2 million people (FIPE/SEHAB, Cadastro de Favelas 1987 and 1993). The favelas are unequally distributed within the urban environment, as indicated on Fig. 7.6, with a high concentration in the outskirts and a lower concentration in areas of more developed infrastructure.
As for the number of slum-dwellers in the municipality of Sao Paulo, Taschner (1997) estimates the figure at close to 6 per cent of the population in 1993. This represents less than 600,000 inhabitants. There is no information on the geographical dispersal of slum-dwellers. Although the number of homes in the favelas has increased sharply in recent years, Taschner (1997) observes that a great number of these homes have improved in terms of construction quality and household appliances.

The most apparent problem of the peripheral settlement pattern is the invasion of the reservoir area by illegal housing settlements, particularly in the South side of Sao Paulo City, around the Guarapiranga basin, and in the Southwest side of the metropolis along the Billings basin. The Billings and the Guarapiranga are the two main regional reservoirs.
Most of the areas situated to the extreme south and north east of the metropolitan area belong to the protected water reservoir region, in which economic development is restricted. The control of settlements around the water reservoir is regulated by a special state law (1172/76) of 1976, which established that illegal settlements have no right to water, energy, and sewerage facilities, in addition to stipulating penalties and fines. In 1997, a new state law, designed to prevent further environmental degradation in these areas, allowed the government to implement emergency interventions, such as the provision of infrastructure, particularly water, energy, and sewerage facilities, and the containment of erosion in the more densely invaded areas (FSP, 11-2-98).

Two central issues emerging after the country’s accumulation stage in the 1960s were resolved as early as the 1980s, benefiting practically the entire central metropolitan area and almost 80 per cent of the peripheral areas. These issues were: access of the population to treated water and electric power, required by Health Sanitation, and to the growth in overall paid consumption, which included the expansion of basic infrastructure. Nonetheless, the quality and frequency of these services still remain unequally distributed among the districts. The distribution is even more unequal for more technologically advanced infrastructures, such as telecommunications (especially fibre optics).

Data from the Official Municipality Real Estate Register, compiled to collect taxes for road maintenance and cleaning (Cadastro de taxa Predial de Conservacao e Limpeza: TPCL) in 1990 and 1995, show significant growth in new (legal) construction in the central districts, which are precisely those for which the demographic growth rate was negative. Taking 1995 as an example (even though an Official Municipality Register aiming at tax collection could be considered a precarious source for obtaining data on the non-legal areas), these data indicate that the districts of highest vertical growth, as well as those districts housing more commercial buildings, largely coincide with those of higher income. Moreover, recent manufacturing construction still predominates in the same districts as before, mainly along the Pinheiros and the Tiete rivers. Figure 7.7, compiled after the Official Municipality Register (1995), shows the predominance of land use measured in terms of built-up areas, with high-income horizontal and vertical housing, commerce, lower-income housing, and manufacturing areas within Sao Paulo City.

The Creation of 'New' Centres

The tendency of the Sao Paulo elite to periodically create new centres for modern business or leisure activities has contributed to the sharpening contrast between districts where dynamic sectors (mostly connected with ‘global’ activities) are established and those districts on the outskirts of the city.

According to Villaca (1999: 230), 'the process of abandoning a traditional centre and creating a “new centre” is initiated by the real estate market. More highly valued "central" locations are created in areas settled by high-income housing, following the move to a "New Centre". By controlling the real estate market, the dominant class controls not only the growth (or the lack of growth) of the traditional centre, but also the form (continuous or discontinuous) and the direction of this growth.’ This process can be assessed by real estate market values within the metropolitan area (Fig. 7.8). Today, the most visible outcome of this process, whereby the elite controls the creation of ‘new centres’, is the existence of four main economic centres within Sao Paulo City. As reported by Villaca (1998:264), by the end of the 1950s, the traditional centre of Sao Paulo was already divided into two sides by the Anhangabau Valley: the Southwest side, home to prestigious offices, restaurants, and shops, and the Northeast side, housing lower-income shopping and leisure activities.

A second centre was developed during the late 1960s along Paulista Avenue, where modern buildings replaced coffee plantation mansions. This 'new' centre did not completely replace the traditional one. Rather, it became a centre for
activities engaged in specifically by the elite, housing an array of movie theatres, designer shops, bank head offices, and specialized services. At this time, scattered sub-centres on streets located in non-elite residential areas also began to emerge to serve the low- and middle-income population, in contrast to the elite activities performed in the 'new city centre'.

A third centre, Faria Lima, was formed in the 1970s, at the foot of and south west of the Paulista Ridge, along Brigadeiro Faria Lima Avenue. Here, offices were built in the vicinity of the oldest shopping mall in town, which had been erected in the previous decade. Most of the sophisticated shops moved to this mall as well as to others later built in the highest-income housing areas. The area around Faria Lima mainly housed offices, bank branches, mid size stores, and luxury apartment buildings, following a pattern similar to the occupation along and around Paulista Avenue; both were described by Villaca (1998: 266) as 'extended centres'.

The newest centre, which was developed after the 1980s along Luiz Carlos Berrini Avenue, is also an extended centre. This centre has essentially become the venue for multinational corporations operating in the manufacturing and financial sectors in connection with globalized activities. Even the architectural pattern predominant in this centre is very similar to the new buildings located in the central business districts (CBDs) of New York City or London. Most of these newer office buildings were designed by prestigious foreign architectural firms and built by transnational investors, a signal that the

The Increase in Violence and the Formation of Upper-class Urban Clusters

As Costa (1999:237) argues, data from European and Latin America countries indicate that violence has been increasing worldwide. Particularly alarming in Brazil, and especially in the Sao Paulo Metropolitan Area, is the rise in homicides. Cardia (1999:1) indicates that the homicide rate in the Sao Paulo Metropolitan Area grew from 14.6 per 100,000 inhabitants in 1981 to 55.8 in 1998, which was almost twice as high as the national rate.

The spread of violence in the metropolis over the last two decades can be attributed to structural and local factors, related to the economic development of both the country and the metropolis. At the national level, monetary and fiscal policies have been prioritized at the expense of social policies. The ceiling for and duration of welfare benefits remain low. There was a shortfall in social housing construction and financing during the 1980s. Three particular local factors can be mentioned. First, average household income decreased dramatically, mostly affecting low-wage earners. Second, and most importantly, industrial restructuring has led to unemployment. Third, state intervention is too weak to improve the poorest peripheral areas or to re-urbanize the favelas, a particular aspect of the general inadequacy of state social intervention.

Maricato (1996: 80) also points out that 'the emergence of organized crime and the drug trade, vigilante groups, and the killing of children and adolescents are facts that gained new dimensions after the 80’s'.

Although surveys show that violence is the most evident urban problem for all classes and ages, it affects different urban areas and different genders in various ways. Cardia (1999: 3) stress that violence mainly 'victimizes young
males living in the poorest areas of cities (the deprived areas on the outskirts of the cities developed and made habitable by the people themselves), where now-existing public services arrived precariously after people had settled the area'.

Such patterns have roots in metropolitan spatial segregation, expressed in the unequal distribution of social facilities (such as public schools and sport or leisure areas) and effective policing, as well as other basic services that the poorest areas are denied. Other factors promoting the spread of violence include the growing unemployment, the alarming increase in the number of homes in the favelas since the mid 1970s, and the spiralling rate of inhabitants per room in the poorest districts. The association of growth in the favelas with that of violence can be easily established by comparing the geographical distribution shown in Fig. 7.6 and data on the homicide rate (Fig. 7.9) in São Paulo City, 1997. The figures show clearly that homicides are much more frequent in the outskirts.

The reaction of the upper classes to climbing levels of violence has been to develop shopping and residential urban clusters. The flourishing of several malls for the middle or upper classes in the metropolitan area since the late 1970s has resulted in mall shopping replacing most street shopping. The construction of high walls enclosing single dwellings, as well as the hiring of private security guards to protect a group of homes, has become very common. However, the newest trend of the last two decades has been the rapid spread of fortified 'citadels', to use Marcuse's term (1997: 311) for the American example: urban gated communities that house luxury apartment buildings or a group of homes, communities serviced by private security guards, and electronic equipment to control visitor entrances and exits.

Although we can find some existence of the 'edge city' pattern in the São Paulo Metropolitan Area, mainly in western metropolitan limits where over ten high-income housing condominiums have been built since 1970 (including several gated communities serviced by private security), the most valuable real estate today consists of fortified enclaves within the higher-income districts of São Paulo City. These enclaves combine proximity to upper-class leisure, shopping, and private schools with greater access to workplaces, since, as discussed earlier, the local elite traditionally attracts advanced economic activities and skilled jobs to its new residential areas.

These urban clusters are not just the supreme expression of spatial segregation among classes, but also represent upper-class segregation from the city itself. The city no longer represents a place where members of the elite live; a place characterized by a distinct landscape of contrasting geography and land use patterns. The city, except for the particular gated areas that house elite activities, becomes an unknown (violent) space, towards which the elite feels no commitment.

**Conclusions**

Spatial segregation was introduced in the São Paulo Metropolitan Area during the last decade of the 19th century, following its economic rise as a depot for coffee, produced in the interior of the state, en route to the port of Santos.

Although much economic restructuring has taken place in Brazil since, the basic structure of the national accumulation process has not shifted from the paradigm of colonial times. In that period, an elite society was formed, the particular nature of which was to impose a process of hindered accumulation internally through periodic associations with foreign capital, aimed at maintaining the security of its hegemony. These associations were historically
orchestrated in such a way that benefited both foreign capital and the national elite: foreign capital could exert control over advanced industries in Brazil, and the national elite could control the development of the productive forces through the means of the state.

Control over the production and alteration of national space is one of the central mechanisms used by the Brazilian elite to ensure its internal dominance. Another feature of this society is its creation of high-income segregated areas, either for housing or for skilled employment, in which all types of urban facilities and infrastructure are installed by the state.

Urban segregation in most Brazilian cities, particularly in the Sao Paulo Metropolitan Area, is a result of class segregation, although up until the 1940s, ethnic segregation due to (newcomer) immigrant clusters could be seen in the spatial structure of cities.

Today, the metropolitan spatial form reflects two processes. The first is the historical local process, which basically began with the growth of industrialization after 1955, which was eventually followed by economic restructuring during the mid 1970s, particularly in the manufacturing sector. The second, subsequent process brought about economic adjustments resulting from the accommodation of current international accumulation patterns.

As a main economic outcome of both the historical and the internationalization processes in the Sao Paulo Metropolitan Area, the metropolis has evolved from a manufacturing-oriented to a tertiary-oriented economy. Characterized by a high concentration of advanced services and financial industries, the metropolitan area is home to head offices of national and foreign corporations, located in the municipality of Sao Paulo, the state's central city and Brazil's leading economic centre.

At the same time, negative side effects, such as growing unemployment, massive growth in the number of favela inhabitants, the spread of upper-class clusters, and social violence have threatened the quality of life of the whole population. These deficiencies jeopardize the functional attractiveness of the city, and challenge urban managers and the ruling class to revise the elitist approach to the development of the built environment, an approach that has historically led to high levels of social and urban segregation.

Notes
1. The first railroad was completed in 1868, connecting the city of Sao Paulo to the port of Santos. Another line was built in 1872, connecting Sao Paulo to the main coffee plantation regions around the city of Campinas. The railroad network in Sao Paulo State expanded speedily as new coffee plantation areas sprouted throughout the landscape; by the late 19th century, its total length was 3,375 km. (Matos 1958: 68).
2. Slavery was officially abolished in Brazil in 1888, but international traffic in slaves was forbidden earlier, in 1850.

3. The urban perimeter is delimited by municipal law in Brazil.
4. This transfer was a result of aggressive state policies introduced in about 1900, remaining in effect until the mid 1930s. These policies favoured the domestic elite (the coffee plantation owners) who strove to sustain international coffee prices, mainly by buying (and stocking) practically the entire supply at elevated prices. This generated profits that had to be channelled to other activities in the face of the mounting international supply of coffee.
5. Villaca (1998) stresses that one of the three mechanisms used by the ruling class to control the production of the built environment is the control of the real estate market.
6. The economic crisis in Brazil was postponed until the early 1980s thanks to a specific government plan (II PND-II National Development Plan), implemented between 1974 and 1976, and designed to provide new guidelines for Brazil's inclusion in the world economy. The plan was abruptly suspended because further implementation depended on substantially raising the general level of productive forces, a step interpreted by the national elite as a threat to its dominance. For further assessment of the economic and political impact of the Plan, see Schiffer (1992).
7. Partly at the root of the municipality-oriented restructuring is the National Constitution of 1988, which increased municipalities' share of total tax revenue controlled by the federal government.
8. The definition of informal jobs used here is based on the International Labour Organization's (ILO) classification: independent workers (not including those who work for just one firm with more than five employees), workers in firms with less than five employees, unregistered workers, owners of a family business with less than five employees, and family members who work in a family business and are not paid a salary.

References


