

Perlman, Janice E.

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Research Paper No. 2007/76

Globalization and the Urban Poor

Janice E. Perlman*

November 2007

Abstract

The focus of this paper is the effect of contemporary globalization on poverty and inequality in cities of the ‘global south’. Specifically it addresses the impact of globalization on marginalized communities—slums, squatter settlements and shantytowns—collectively called ‘informal settlements’. This is a timely issue given that over the next 25 years virtually all of the population growth worldwide will be in the cities of developing countries largely concentrated in such settlements.

The paper takes a critical look at current assumptions about globalization, urban poverty, and inequality, distinguishing between different constructs and aspects of globalization and separating causality from co-terminality. It questions how the informal sector would fare in the face of advanced capitalism and technological transformations, absent the global component.

Using Brazil as an example the paper draws comparisons between the lives of the poor during the isolationist period of ‘import substitution’ and the military dictatorship and their current lives in the context of pervasive globalization of ideas, icons, and identities. The findings are based on a longitudinal panel study conducted in the favelas .../.

Keywords: urban poverty, globalization, favelas, inequality, exclusion, violence, public policy, longitude research, Brazil, Rio de Janeiro

JEL classification: R11, I32

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* Mega-Cities, New York, NY; email: janice@mega-cities.net

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of Rio de Janeiro between 1968 and 2005, examining the changes over time, space and generations. The presumed effects of globalization on the lives of the urban poor, on the levels of inequality between them and the rest of the city and on public policy are thrown into question. The answers are sought in the people's perceptions of the impact of globalization on their lives, in the historic transformations of the country and city, and in the life history, survey data and open-ended interviews collected over this 35-year period.

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publications@wider.unu.edu

UNU World Institute for Development Economics Research (UNU-WIDER)
Katajanokanlaituri 6 B, 00160 Helsinki, Finland

Typescript prepared by Liisa Roponen at UNU-WIDER

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1 The heart of the matter

At the heart of the discourse on globalization is the question of how it affects poverty and inequality among and within regions and nations, and the consequences for marginalized groups and individuals. Hardly a day passes without this issue arising in newspapers, magazines, academic publications and policy speeches—by defenders and detractors of the ‘new world order’ as exemplified below:

Rising inequality is the dark side to globalization. [But] no one wants a return to outright protectionism.

Paul Krugman, *New York Times*, 14 May 2007

[In] the modern globalization debate ... no [issue] is more important than who benefits and who loses, absolutely and relatively, in both advanced and developing countries.

Danny Leipziger and Michael Spence, *Financial Times*, 15 May 2007

An impoverished ghetto of one billion people will be increasingly impossible for a comfortable world to tolerate.

Paul Collier, *The Bottom Billion*, 2007

There is mounting evidence that economic growth is less effective in reducing poverty in the face of rising trends in inequalities.

United Nations Press Release, Associated Press, 8 February 2007

Making globalization work for the masses is the central economic issue of the day.

Larry Somers, *Financial Times*, 30 October 2006

Economic globalization has outpaced political globalization. We need collective action to temper capitalism ... but we have yet to create the political structures to do so.

Joseph Stiglitz, *US News and World Report*, 18 September 2006

These quotations and the articles from which they are excerpted raise fundamental questions regarding the inevitability of globalization, its costs and whether its perverse consequences for those excluded can be mitigated (or reversed) through international agreements or domestic policies.

The literature on the growth-poverty-inequality nexus which regards inequality as the filter between growth and poverty (Thorbecke and Nissanke 2005, 2006, 2007) and the literature on what I call the *globalization-urban poverty-public policy nexus* (Maricato 2006) are mutually reinforcing. The logic of globalization concentrates wealth and deepens inequality in a parallel manner within and among cities, countries, and continents (i.e., developing countries). My starting premises could be synthesized as follows:

- i) *The world is not flat* and never was. The process of globalization over the past several decades has exacerbated pre-existing inequalities and divergence. Advanced capitalism has produced ‘advanced marginalization’ (Wacquant 1996, 1999) whereby those limited to the ‘space of place’ and excluded from the ‘space of flows’ (Castells 2000) have been reduced from unimportant to irrelevant.
- ii) *Globalization is not an act of nature*. It is the result of policies which make the market supreme, allowing concentration of capital to trump concern for excluded countries, communities and citizens. Therefore, different policies, rules and incentives—internationally or nationally—could theoretically mitigate or reverse this trend, given sufficient political will.
- iii) *Globalization is not new*. It is more far-reaching now due to technological advances such as those in telecommunications, information and transportation that facilitate the flows of capital, labour, information and ideas.¹ The same historical logic of centre/periphery in the world system is reproduced at every level from continents to communities continually reinforcing the viscous cycle of uneven development. (or ‘the development of underdevelopment’ Furtado 1964, 1982).
- iv) *Globalization is not uni-dimensional*. Each aspect may have different consequences for different constituencies at different times. It can be good, bad or indifferent depending upon your position in the hierarchy of winners and losers. This varies by context and specific circumstances, often lost in sweeping generalizations about the wonders or evils of a globalized world order.
- v) *Reducing poverty is not sufficient to redress the inequalities* created or exacerbated by globalization. Poverty levels may improve in absolute terms while the gap between the ‘haves’ and ‘have-nots’ widens. Inclusive growth depends on policy interventions to share the fruits of growth with the bottom third of world population.

Policymakers seeking ways to put a ‘human face’ on globalization are discussing taxes on international transactions, stipends salaries of displaced workers up to previous levels, education/job training geared to entry into the information economy—and various other income redistribution measures from the mundane to the utopian (see Scheve and Slaughter 2007.) It is unclear whether the political will exists to implement any such re-distributive measures or whether the self-perpetuating logic of globalization can be moulded by regulatory or contractual arrangements. What is certain is that globalization is not reversible—there is no going back.

¹ Some scholars argue that globalization is *not* linked with advanced capitalism, and is *not* a consequence of policy pressure to follow the Washington consensus, but is the ‘manifestation of an age-old drive natural to the human spirit...the urge to profit by trading, the drive to spread religious beliefs, the desire to exploit new lands and the ambition to dominate others by armed might—all had been assembled by 6000 BC to start the process we now call globalization’ (Chandra 2007).

2 The urban question²

The focus of this paper is how the current stage of globalization affects poverty and inequality in urban areas on the periphery of the world hierarchy of cities (Friedmann 1986, 1995). Specifically it addresses the effects on marginalized communities—slums, squatter settlements and shantytowns—collectively called ‘informal settlements’. This is a particularly relevant theme, given that over the next 25 years virtually all of the population growth worldwide will be in the cities of developing countries³ and will be largely concentrated in such settlements. The recently released UN *State of the World Population Report* (27 June 2007) states:

The growth of cities will be the single largest influence on development in the twenty-first century ... Over the next 30 years, the population of African and Asian cities will double, adding 1.7 billion people—more than the current populations of the US and China combined.

A careful look at globalization and urban poverty reveals complex—often contradictory—relationships. The nature of the linkages depends on how broadly or narrowly you define globalization, how rigorous you are in distinguishing causality from co-terminality, how you measure poverty over time and whose viewpoint you assume.

If the definition of globalization is construed to include all economic, political, social, cultural and ideological changes that have occurred with the ‘restructuring of capitalist production’ (Harvey 2003), there is little that remains outside its purview. De-constructing the various implications of the term could lead to a rather arbitrary exercise of parsing whether each component (such as free trade agreements, technological advances in transportation and communication or privatization) would have—or could have—occurred without the current form of globalization and how each relates to social justice in the city (Harvey 2003), in the short, medium and long terms. We would need to unravel which elements of the package are precursors of globalization, inherent in it or consequences of it. To what extent is the polarization between winners and losers of globalization inherent in capitalism itself with its historic inequalities which are then reinforced by the logic of capital concentrating at the top? Wouldn’t the displacement of unskilled labour by mechanization and robotics have occurred under protective import substitution policies as well, perhaps more slowly? My guess is that urban factories would eventually close and footloose capital move to less expensive regions within the same country—causing layoffs, unemployment and downward pressure on wages—as long as the market economy had free reign.

² The title of this section references Manuel Castell’s book, *The Urban Question* (1977).

³ The term ‘developing countries’ is contested and bears an ideological valence as does the term ‘globalization’. The discussion of such signifiers is itself part of a global debate. (Sachs 1992) The evolution of terms for countries on the periphery of the capitalist system from the pejorative ‘underdeveloped’ to the comparative ‘late industrializing’, to the ‘geo-political’, ‘third world’ to the critical ‘dependent capitalist’ to ‘the global south’ to ‘NICS’ (newly industrialized countries) to the ‘fourth world’ (irrelevant altogether) and most recently to ‘emerging markets’ tells an eloquent story of unequal development ending in the transformation of the nation state into a market opportunity for consumption of goods and services (see Fiori 1995).

The urban question is how the lives of the 40 per cent of urbanites living in the slums and shantytowns of Asian, African and Latin American cities differ in the absence of the current incarnation of globalization. What would be the impact on poverty, inequality, violence and voice?

Ultimately these questions can only be addressed by empirical evidence on a case-by-case basis. Case studies on the dynamics of poverty from an earlier period of relative national isolation to the currently pervasive globalization of ideas, icons, and identities may provide some insight. Without a grounded understanding of how globalization affects poverty in specific localities, we cannot hope to refine theory or to transform policy.

3 The case of Rio de Janeiro

This paper is based on a longitudinal multigenerational study of the urban poor in the favelas⁴ of Rio de Janeiro⁵ that I conducted over the period 1969 to 2005. During that period Brazil experienced major economic political and policy transformations:

- i) from a protected 'import substitution' economy to an increasingly free trade economy actively participating in Mercosul and in NAFTA (ratified in 1993);
- ii) from the economic miracle of the 1960s to triple-digit inflation, stagnation and eventual stabilization (following the 1994 Plano Real pegging local currency to the dollar);
- iii) from a military dictatorship through a gradual process of opening to full restoration of democracy in 1985; and
- iv) from massive favela eradication programmes to on-site upgrading, reaching considerable scale between 1994-2004.

In the 22 years since the end of the dictatorship Brazil, attained 'middle-income' status by worldwide standards, but its deep socio-economic inequalities have excluded a large part of the population. Brazil has the highest degree of inequality of any large country in the world. Not only does this prevent the poor from achieving their full human potential, from being treated with dignity and from becoming full citizens but it also sets limits on economic growth, depriving the country of the intellectual capital, productive and consumer potential and political participation of a third of the urban population.⁶

If globalization had a polarizing effect between rich and poor as would be expected from the five propositions at the beginning of this paper, income inequality should have

⁴ *Favela* is the Brazilian term for informal settlements or shantytowns. Typically, migrants to the city, lacking the means to rent or buy housing, invade unused land and build their homes there, gradually forming communities as people from their families or hometowns come to join them in the city. These vacant lands, which are generally ignored by their public or private owner, are found in undesirable locations such as hillsides too rocky or steep to build on, marshlands prone to flooding, landfill made from garbage dumping or narrow parcels alongside roads, water basins or riverbeds.

⁵ Rio de Janeiro is a city (municipality) with 6 million inhabitants; a metropolitan region of over 12 million; and a state with 14.4 million. Unless specified otherwise, this paper refers to the municipality.

⁶ See Blofield (2007) for comparisons with Latin America in general.

become more acute starting in the 1990s. Looking at income distribution data for Brazil and Rio between 1992 and 2003 (Urani, IETS, PNAD) shows a high level of inequality but one that has remained stable over the time period covered by this study.⁷ The Gini coefficient for Brazil varied only slightly and in no consistent direction, ranging from 0.58 to 0.60. For Rio the pattern is nearly identical with the Gini coefficient ranging between 0.55 and 0.58 and ending up at 0.57 in 2003, exactly the same as the national figure.

Poverty figures are also fairly consistent over time. Using UNDP definitions of poverty (US\$2/day or less) and extreme poverty (US\$1/day or less) about a third of Brazil's population and about a fifth of Rio's population are in poverty—less than the national average, due in part to not adjusting measures by purchasing power parity.⁸ The per cent of poor people in Rio declined slightly from 1992-2003, while the per cent of indigent poor increased slightly (Ferreira 2004; IPEA 2005).

I would hesitate to draw conclusions about globalization's consequence or lack thereof from this relative stability of inequality and poverty measures over the past decade. Many intervening variables are in play and it is always possible that strong negative and positive effects cancel each other out. But there is no doubt that the economic decline in the city of Rio (absolutely and in relation to the other metropolitan areas) has had deleterious effects on its inhabitants and particularly the most vulnerable among them.

During the period of the re-study (1999 and 2003), the city of Rio had a lower growth rate (in GDP/capita) and lower rates of upward mobility than the city of São Paulo, the state of Rio, all of the major regions of the country, and Brazil as a whole. Although Rio's GDP per capita is relatively high, the cost of living is even higher—and its level of inequality is worse than that of Brazil (Gini coefficient of 0.616 compared with 0.593). According to the ratings of the human development index, the 'quality of life' ranges from levels comparable to that of Belgium (in Gávea, an upscale neighbourhood in the South Zone, 9th in world ranking) to those comparable to Viet Nam (in the Complexo de Alemão, in the North Zone, 108th of 177 countries).⁹ As many studies have shown, this extreme inequality in Rio—and in Brazil—presents an obstacle to social mobility (Bourguignon, Ferreira, and Menéndez 2003; Gacitúa Marió and Woolcock 2005).

Other factors contributing to the decline in Rio's economy include loss of the national capital to Brasília; loss of financial, service, intellectual and cultural headquarters to São Paulo; de-industrialization; the decline of the shipping industry and the port area; and the loss of tourism (and business investment) due to perceived and real violence. The

⁷ In Brazil the bottom 10 per cent earned had less than 1 per cent of the national income while the top 10 per cent had close to 50 per cent. The per cent going to the lowest decile ranged in a narrow band from a low of 0.6 per cent (1993, 1996, 1997) to a high of 0.8 per cent (2002), with all other years staying constant at 0.7. The top 10 per cent of the population likewise had a narrow range and high degree of consistency over the decade, with a high of 48.6 per cent (1993) to a low of 45.8 per cent (1992) and 46-47 per cent in all other years.

⁸ The highest per cent of Brazilians under the poverty line over this period was 41.7 per cent (1993) and the lowest was 32.7 per cent (1998) with 33-34 per cent in all other years, showing no strong globalization effect at the macro level. For Rio the rates declined slightly between 1992 (26.6 per cent) and 2003 (23.4) accompanying an increase in the per cent in extreme poverty.

⁹ The average per capita income of Gávea at RBL 2,140/month is more than 12 times that of Complexo de Alemão at RBL177. In 2000 when this was calculated, the exchange rate was 2.7 reais to the dollar.

consolidation of the built environment and technological advances in construction meant a drop in construction jobs which had absorbed a large proportion of poor male workers; and the squeeze on the middle class along with labour-saving technology and take-out services meant a drop in demand for domestic service which had absorbed a large portion of poor female workers. The rising bar for entry level positions has made it difficult for those without an advanced degree to move into better-paying jobs.

3.1 Growth of the favela

One clear indicator of the way this economic decline has played out in the job market along with the continued allure of Rio for cityward migrants is that the number and size of Rio's favelas have increased steadily. According to the Instituto Pereira Passos (IPP), the city urban planning agency, the rate of growth of the favelas exceeded that of the city as a whole in every decade from 1950 to 2000 including in the 1970s when 100,000 favela residents were evicted and their communities demolished. During the 1990s, Rio grew by 7 per cent and the favelas by 24 per cent (IPP 2005) and over 2000-05, the favela population grew at six times the rate of non-favela population (*ibid.*).

As of 2005 there were 752 favelas in Rio, housing for 1.1 million residents, the largest favela population of any Brazilian city (IPP 2005). During the original 1969 study, Rio had a total population of three million inhabitants, a third of whom lived informally (without legal title) in favelas. By 2000 when the re-study began, Rio had grown to 5.8 million inhabitants of whom 38 per cent were living informally: 19 per cent in the favelas, 9 per cent in illegal subdivisions (*loteamentos clandestinos*), 8.6 per cent in public housing complexes (*conjuntos habitacionais*), and 1.7 per cent in 'areas of risk' (environmental danger). This provides an excellent opportunity to look more closely at the dynamics of urban poverty and explore the relationships between these dynamics and the multiple processes of globalization.

4 The Rio research, 1969-2005

I conducted the original research in 1968-69 in three favelas at varying distances from the upscale part of the city (Perlman 1976). In each community¹⁰ a random sample of 200 males and females 16-65 years old and a purposive sample of 50 leaders were interviewed, totalling 750 people. Informal short-term follow-up studies were undertaken in 1973 and 1980. In 1999 a rigorous re-study was initiated. It took two years to locate as many of the surviving members of the original sample as possible. With a local research team and help from the children of the original study participants, we succeeded in finding 41 per cent of the original sample (308 of 750 people).

In 2001 interviews were conducted with these participants from the original study and with a random sample of their children and grandchildren.¹¹ This yielded data on both

¹⁰ The communities were Catacumba in the upscale South Zone, Nova Brasilia in the industrial North Zone, and areas of Caxias in the peripheral Baixada Fluminense.

¹¹ The average age of the original interviewees was 64 years, of children 40 years and of grandchildren 24 years (remembering that we excluded children and grandchildren under 16 years old to maintain comparability with our original sample).

intra and inter-generational mobility.¹² With basic information already collected on the location, education and occupation of the parents of the original sample members, we were able to trace the dynamics of poverty and social-spatial mobility across four generations spanning the entire twentieth century into the twenty-first century. This captures the transition of migrants from countryside to city and the reflection of that in the year-by-year life histories collected from each interviewee along with their responses to the survey questions.

The final phase of the study, conducted in 2003, involved the application of the same survey instrument questionnaire and life history matrix to new random and leadership samples in the three original study communities. We selected 400 people at random from each community and 25 leaders according to their position and reputation.¹³ This enabled us to compare snapshots of the same places at two points in time and to go beyond the same circle of families from the 1969 study to cross-check for attrition bias (Perlman 2003; Cano 2005).

The comparisons provide a window into the effects of globalization since the year 1969 pre-dated the current globalization wave in Brazil. It was a time when import substitution still prevailed, the 'economic miracle' was booming and the military dictatorship was at the height of power. By 2003 when the re-study of the communities was conducted, globalization was all-pervasive, free trade was the norm (US and European protectionism notwithstanding) and relative economic stability had been achieved.

The re-study (based on 2,182 new interviews), does not pretend to be representative of the urban poor or of all favelas in Rio de Janeiro, much less the city as a whole. The original random sample of 200 residents in each of the three favelas in 1968 was selected quite meticulously (Perlman 1976: Appendix) and was representative of the residents in those communities at the time of the study. Likewise, the new random sample of 400 residents, each drawn with painstaking care in the same places in 2003 (Cano 2005) IS representative of those communities at that time. However no three favelas (regardless of care to select different types) could ever be considered 'typical' of the 752 favelas or more now existing in the city of Rio.

The strength of this work lies in its success in finding and following up a large number of original study participants 30-35 years later; in interviewing their children and children's children; and in drawing new samples in the same locations decades later. The depth of the data, its continuity over several decades and the tracking of life histories over multiple generations is quite unusual. We collected over 6,000 variables for each person and designed the survey instrument to insure: that the questions held the same meaning for diverse types of respondents; that probes were included to elicit the specifics of the answers, and that people's words were recorded exactly in the open-ended part of the interviews. This is exactly the opposite of standard economic analysis which relies on a very large sample but is limited in the questions asked and subject to doubt about the precise meaning of the answers.

It is reassuring that our results (Perlman 2006, 2007, 2008) are corroborated by the much larger studies on inequality in Brazil using census data and household surveys (PNAD) and creating matched cohorts in different years as a proxy for following the

¹² For an excellent literature review of intra-generational mobility, see Yaquib (1999).

same individuals. Recent publications such as the excellent work of Bourguignon, Ferreira, and Menéndez (2003); Gacitúa and Woolcock (2005); and Ferreira et al. (2006) support the validity of our findings (and visa versa).

5 The perspective of the poor

What does globalization look like from the perspective of the poor in Rio de Janeiro? To address this question we asked ‘How has globalization affected your life?’. This was an open-ended question and the interviewers recorded the answers exactly as spoken. The results reported below are based on the first answers each person gave. The responses did not differ significantly by gender, race, birthplace, current community or socioeconomic status.

The overwhelming finding was that the majority of respondents across all three generations said that globalization had not made any difference. In their words, ‘things are the same’, ‘there wasn’t any change’, or ‘it had no direct effect’.¹⁴ The per cent saying this declined with each generation from 85 per cent of original interviewees to 59 per cent of the children to 52 per cent of the grandchildren. This coincides with increasing educational levels for each successive generation, but still represented a majority. This result is surprising, given that by the time of the re-study almost everyone regardless of generation reported watching television every day¹⁵ and that so much of the programming and the products advertised were ‘made in the USA’.

Among the minority of respondents who reported that globalization did affect their lives, the range of responses covered most of the points in the academic literature. Using the recorded open-ended answers of those who responded positively we found that:

- In every generation the most frequently mentioned impacts of globalization were a tighter labour market, increased unemployment, decline in financial security, lower salaries and less purchasing power. The percentages giving these responses varied from a low of 6.8 per cent among the original interviewees to a high of 19.7 among their children.
- Among the original interviewees the second most frequent response was ‘created economic dependency on other countries’ or ‘makes us slaves to the global economy’. The percentages were all below 5 per cent of the total sample. Leaders who had experienced the struggles in the 1960s and 1970s and were much more politicized than the random sample and more likely to give such answers.
- Three positive consequences of globalization were mentioned by children and grandchildren: ‘improved life in general’, ‘improved access to information and communication’ and ‘improved technology, such as cell phones and

¹⁴ A rising per cent from each generation (from 3 per cent to 22 per cent) said they ‘did not know’ or refused to answer. All per cents reported are ‘valid per cents’ after the removal of this group.

¹⁵ As reported, 90 per cent of original interviewees, 98 per cent of their children and 97 per cent of their grandchildren watched television on a daily basis, as compared with 37 per cent in 1969. This is consistent with the findings in 2003 that 97 per cent of the new random sample in the three study sites having ‘watched television daily or almost daily’.

computers' Taken together these three answers were given by none of the original study participants, 7 per cent of their children and 24 per cent of their grandchildren.

- The next most common answer was 'higher requirements for study, knowledge and certification', which can be seen as positive or negative.
- Only the children and grandchildren mentioned the final factor which was 'facilitated purchase of imported products'.

In follow-up in-depth interviews with the most and least successful individuals from the original sample, we found that those who saw globalization as beneficial often mentioned reduced prices of imported goods, while those who saw it as detrimental made the connection between globalization and cheap imported goods leading to the loss of manufacturing jobs, citing layoffs and factory closings. The displaced workers were never told whether their factory was going out of business, re-locating to other areas of Brazil or moving to other countries with cheaper labour and production costs.

When I asked what made work so hard to find these days, one person said, 'the poor don't have a chance' (*o pobre não tem vez*). He added:

Before, there wasn't so much mechanization. Now there are even robots to do the work we used to do and the boss doesn't have to think about anyone. In the Campo Grande garbage dump, which employed lots of people, there is now only one worker, a robot, and a computer. Formerly there were garbage men who threw the trash into the truck. Now there is a machine that scoops it up and dumps it into the truck, so only the driver has a job.

Others speculated that international competition raised the standards of production and thus the bar on educational and skill requirements for job entry, which helps explain why their educational gains were not sufficient to break into the professional, prestigious and highest-paid jobs.

Two other considerations that arose in regard to globalization's impact were the consumer culture and the havoc wreaked by international arms and drugs trade. The ubiquitous television images of the global consumer society created 'new needs'. The youth are especially vulnerable to the constant bombardment of images of status symbols and markers of prestige only attainable (for them) through entering the drug trade.¹⁶ Television advertisements create a pseudo reference group for youngsters who experience relative deprivation in terms of what they see and what they have.¹⁷

Local non-profit organizations (such as Affro Reggae and Nos do Morro) have tried to reinforce the cultural identity of Afro Brazilians and of favela dwellers, but for the most part, the status symbols continue to be international brand-named shirts and sneakers

¹⁶ Young men and women explained to me that they turned down job offers on the basis of calculating how long they would have to work in order to buy brand name clothing or shoes, after deducting their transportation and lunch costs.

¹⁷ Studies have shown that perceived satisfaction is more a function of one's position relative to the reference group than of absolute income or socioeconomic status or of one's own upward or downward mobility. The reference group could be created by international images of teenagers on television.

along with cars, motorcycles, cell phone and pagers. I have seen several young people wearing multiple pagers and cell phones (that do not work) as prestige signifiers. If the message of the global media is 'you are what you own' then the message of the local setting is that drug lords are the role models.

The extent of violence, and of lethal violence in particular, was the most striking difference in favela life in the interim between the two studies. This is inseparable from globalization. As one of the leaders explained to me:

the main way that international trade is destroying the lives of Rio's poor is through the vast international market for drugs (particularly cocaine) and the imported supply of sophisticated arms (many from the USA) which the drug traffickers use to intimidate the police and take control of communities and the city.

His view was that if there were an international embargo on arms sales to Brazil, the violence and death rates would drop dramatically.

5.1 The role of foreign investment

Our survey instrument had one other question which sheds light on the changing perception of one aspect of globalization from 1969 to 2003. It asked about perceptions about the role of foreign companies in Brazil. It was an open-ended question on the basis of which we developed three coding categories. The question was: 'Foreign companies are in Brazil in order to (i) help Brazil to progress; (ii) take care of their own interests, or (iii) exploit the Brazilian people'. These options were not read to the interviewees. Their answers were recorded in full and then coded. The valid per cents based on the 85 per cent who answered in 1969 and the 95.5 per cent who responded in 2003 are shown in Table 1.

The tendency between 1969 and 2003 was a decline in the per cent of favela residents who perceived global investment as positive. This may reflect the increased presence of foreign companies (and difficulties for favela residents to get jobs in such companies) but also the overall climate of scepticism about who benefits from international investment. Forty-five per cent gave the neutral answer 'take care of their own interests', while over a third saw it as 'exploiting Brazilian labour' (taking advantage of low wages, long hours and less restrictive health, safety and environmental regulations). The percentage of those believing that foreign investment creates jobs and attracts capital for economic growth that will eventually help the poor, dropped by almost half. Still, one-fifth of the sample saw foreign investment as 'helping Brazil'. Further analysis is needed to explore the income, education, occupation, race, gender and age of those giving each of these answers.

In short, from the viewpoint of the urban underclass, globalization is mostly seen as irrelevant, and among those who do perceive an impact, only slightly more point out the negative effects than those who see the positive. The expected perception according to the five premises listed above would be that globalization, if not deepening poverty per se, certainly deepened inequality.

Table 1
The reasons for foreign companies to be in Brazil

Foreign companies are in Brazil in order to:	1969		2003	
	Frequency	%	Frequency	%
- Help Brazil's progress	188	36.9	253	21.7
- Take care of their own interests	191	37.5	522	44.8
- Exploit Brazilians	131	25.7	391	33.5
Total	510	100.0	1,166	100.0

Later in the paper we explore changes in living conditions over the past three decades. This raises a prior question about how any contextual changes—whether at the international, national or city level—materially affect the lives of the poor regardless of whether they perceive the effects or not. Are those who fail to see the effects of globalization on their lives reflecting ‘false consciousness’, naiveté or an accurate assessment of reality?

6 Micro impacts of macro changes

One of the major goals of the longitudinal research project was to see if there were reflections in the lives of the poor that coincided with (or appeared after a certain lag time) larger-scale changes in the political economy and public policy. Several approaches were used to explore connections between transformations in the broader context (global, national and local) and periods of ups and downs in the lives of the urban poor—either as self-reported or measured through indicators in the questionnaire and life history matrix.

The study traced the chronology of benchmark changes in the economic, political, spatial and policy contexts for Brazil as a whole and for Rio specifically.¹⁸ To see if these periods coincided with fluctuations in poverty for favela residents, we used the year-by-year life-history data to map periods of individual (and collective) upswings and downswings on such variables as unemployment, types of job, educational attainment, number of children, degree of crowding and location/type of residence.¹⁹

To triangulate findings we also asked each interviewee to specify the best and worst periods of their lives in terms economic wellbeing: employment (their own and contributing members of the household) and assets and overall financial security. We then plotted the timing of these periods against the opening of trade, the booms and busts of the Brazilian economy, and major policy changes—and against the poverty variations as indicated by the life history data. No clear pattern emerged.

¹⁸ We looked at starting periods and lag periods of place-targeted programmes (such as on-site upgrading focused on the territory of favelas, clandestine lots or public housing), poverty-targeted programmes (such as the early conditional cash transfers, based on poverty measures regardless of place of residence) and universal programmes (such as changes in the minimum wage or access to credit that applied to all citizens but would affect the people in our sample directly).

¹⁹ Income was not included as a variable in the life history matrix, as prior studies have shown lack of recall, reliability and validity.

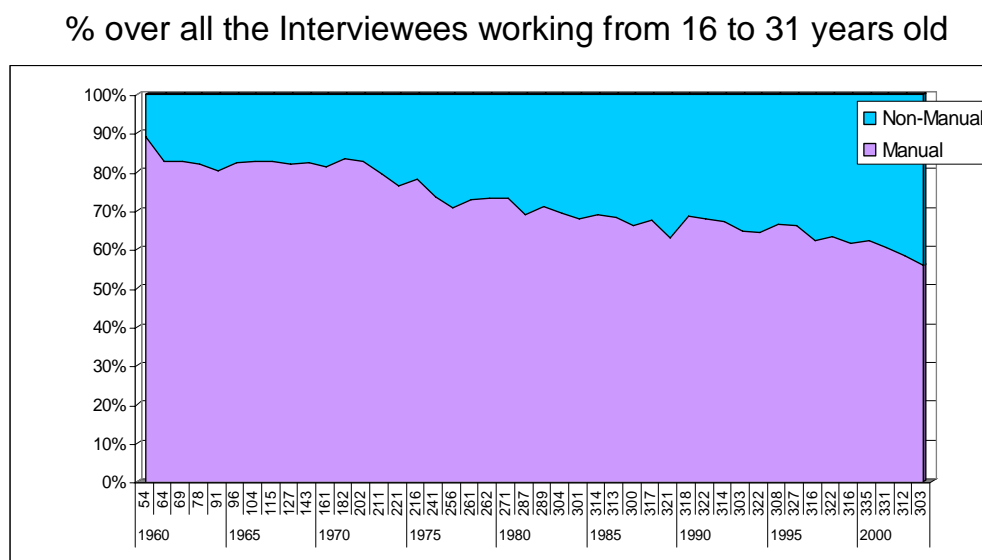
The absence of overall correspondence between macro-level changes and micro-level repercussions might be attributable to the interviewees' lack of recall or cognitive disconnect between larger trends and family fates; to methodological flaws; and/or to the overwhelming number of intervening variables. We did however find two clear reflections of structural or policy changes.

The first was in patterns of insertion in the labourforce. Our life history data on occupational status indicated for each year whether each person was working or not; if not working, whether they looking for work; if so, were they working formally, self-employed (had a commercial establishment, their own business), or doing odd-jobs (*biscates*) on an irregular basis. The division between manual or non-manual labour was the indicator that revealed the most consistent picture over time.

Controlling for age and life-cycle stage by using the same age cohort (16 to 31-year olds) for each calendar year, we plotted the changes (for those working) between manual and non-manual for each year. The resulting graph is shown below.²⁰ The tendency from 1960 to 2003 revealed a progressive transition from manual to non-manual occupations, as shown in Figure 1.

The marked decline in the percentage of working-age favelados doing manual labour and concomitant rise in non-manual labour do reflect structural changes in the job market in Rio de Janeiro which, in turn, is affected by national and possibly international labour market trends. These shifts undoubtedly reflect the stage of advanced capitalism and the globalization of labour, capital, information and technology.

Figure 1
Occupation, non-manual versus manual jobs, 1960-2003



Random Sample 2003 Survey–Phase III

²⁰ In each year the sample is composed of different people. As the years progress from 1960 to 2003, new individuals enter the sample (when they reach 16 years of age) and others leave the sample (once they turn 32). When the number of subjects for any year became less than 50 we discontinued the sequence.) We used the Life History Matrices starting with the current year and tracing each change in occupational status from 2003 back to their first job at or after 16 years of age.

The second clear pattern emerged from the qualitative interviews. As a result of the Real Plan, tying the national currency to the dollar so as to curb inflation and increase global competitiveness, there was a consumption bonanza among the urban poor as their purchasing power rose while incomes stayed the same. While many respondents did not know the name of the Real Plan, or the exact year, many spoke of this one-time opportunity to acquire consumer durables at deflated prices. Family after family in each of the low income communities proudly showed off heavy wooden furniture, large television and sound systems, washer/driers and air conditioners saying, ‘if we had not bought this, then we would never have been able to afford it again’.

Despite these two suggestive findings it was difficult to detect systematic reflections of macro changes on poverty fluctuations in the favelas. The proximate events of personal and family crises such as illness, death, marriage, divorce, births and job loss; of natural disasters such as floods and fires; or of community-related events (such as community eradication and re-settlement in the 1970s, the closing of a nearby factory, school or clinic; or the drug wars between competing gangs or the gangs and the police; completely obliterated the effects of more distal patterns. The uncertainties of daily life for people on the margins are so huge, that they can hardly cope on a moment-to-moment basis and there is no safety net to help them to bounce back from crises.

The question once again is: Are the findings reported above on the perceived lack of effect of globalization and the absence of strong co-variation between macro and micro events due to denial, inadequate poverty measures, an overabundance of intervening variables—or do they convey an accurate portrait of reality? The next section adds to the evidence of this by comparing conditions of life in the same favela communities at two points in time.

7 Community level comparisons over time

Looking at the community as the unit of analysis permits comparisons of the random samples of the same favelas in isolationist 1969 and globally integrated 2003 to explore the nature of change in those 34 years and whether the perceptions and chronological disconnects discussed above are borne out by other indicators of advances and setbacks.

The answer to the question ‘did life get better or worse for those in these favela communities?’ depends on what dimensions of life you consider. It is a bit like the proverbial blind men and the elephant. If you look at indicators of individual and collective consumption or educational levels, you would conclude that there have been striking improvements. If you look at unemployment or violence, you would conclude that life is much worse now. What balance sheet can weigh gains in physical comforts and educational attainment against lack of work and constant fear of being caught in the crossfire between drug gangs and police?

Starting with improvements, we found that the level of individual goods, household appliances and urban services has risen dramatically. The average favela household in

these older favelas studied²¹ now enjoys amenities formerly available only to the elite, such as washing machines, microwave ovens and air conditioners. The cell phone is ubiquitous and has made an enormous difference in people's ability to get jobs and offer services (as well as run the drug traffic). Urban services, such as running water in the home, closed sewer pipes (separate from open drainage ditches), garbage collection, paving of access roads and alleys and metered electricity are almost universal, improving health and liberating women from many time-consuming backbreaking daily tasks. When the electricity company, Light, was privatized, it included favela residents as a profitable new market and lowered their costs as compared with the prior illegal connections controlled by a clique within the community.

Housing also improved noticeably. The incremental upgrading of the dwellings has visually transformed the landscape of the favela communities. The precarious shacks of wattle and daub (dried mud packed into a latticework of branches or boards), wood, and other scavenged materials have been replaced by solid multi-story structures. In 1969 less than half (46 per cent) of dwellings were made of *alvenaria* (bricks or cinder blocks); by 2003 nearly all (97.7 per cent) were constructed with these durable materials. Aerial views reveal densely packed two to four story homes, many with an open area on the top floor for drying laundry, flying kites, catching a cool breeze and attaching the satellite dish.

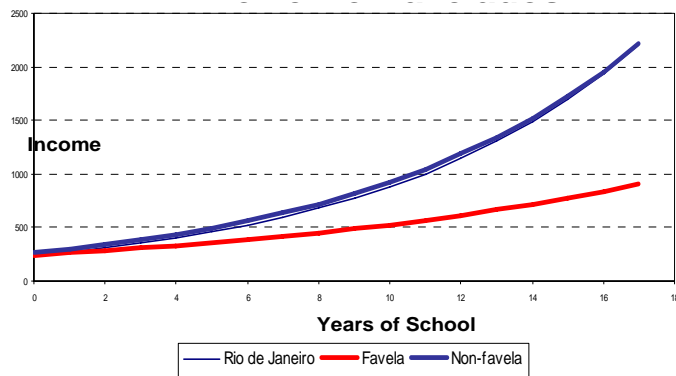
At the individual level, the major gain was a near doubling of the average years of education. In 1969, 42 per cent of the sample had never attended school; in 2003 it had dropped to 4 per cent. Those completing elementary school rose from 14.4 per cent to 83.6 per cent over that same period, and those who had some secondary schooling rose from none to nearly a third. Four per cent had even started university, something unimaginable three decades earlier.

One downside to the story is that these educational gains have not been fully reflected in jobs or income. In fact, the income gap between favelados and non-favelados increased with each additional year of schooling after the first four as shown in Figure 2.

This increasing gap likely reflects differing levels of quality in education, differing social and cultural environments in favelas versus neighbourhoods, and discrimination against people from favelas in the job market. The lower-than-expected return to education, even controlling for race and gender (Pero 2003, 2004), explains why many favelados became disillusioned with education. This showed up in their responses to the query about 'what is the most important factor for a successful life'. Whereas in the earlier study the vast majority responded that education was most important, in the re-study, the majority across generations said a good job (79 per cent of original interviewees and 96 per cent of their children). Those I spoke with explained that they would be happy with either employment (*emprego*) in the formal sector or independent work (*trabalho*) as long as they had a chance to do decent work with decent pay.

²¹ This is not necessarily true for the newer favelas which are much poorer and more similar to the condition of our study sites in the late 1960s. Many lack the amenities and services enjoyed by the 'consolidated favelas', the ones that have existed since the 1960s or before.

Figure 2
Lower income returns to education for the favelados



Compiled by Valeria Pero from the 2000 Census

Occupational achievements also lag behind educational advances. Following individual families enabled us to do a case-by-case analysis, comparing each person with his or her own parents. While 75 per cent of the children had more education than their parents, only 66 per cent had better jobs. In part this reflects the fact that educational requirements for the same jobs had also been rising. A higher educational bar to employment also contributes to the higher unemployment rates for each succeeding generation despite greater educational attainment. Between the first study and the re-study the proportion of our sample that reported being unemployed (*parado*, literally stopped) for more than six consecutive months at any point in their working lives rose from 32 per cent to 51 per cent. The average unemployment rate in the city of Rio was 10 per cent at the time of the re-study.

Indeed it is harder to find any work now than it was during the Brazilian economic miracle of the late 1960s. The entry requirement for most jobs has risen faster than educational attainment. Changing job markets linked to external forces but also to the particular problems of Rio de Janeiro combined with the stigma of living in a favela reduce employment opportunities. Many people reported that their job interviews had ended once they gave their address which indicated that they lived in a favela. Our sample ranked 'living in a favela' a greater obstacle to employment and source of discrimination than race, gender, place of birth, or overall appearance.

8 The inequality issue

Did the gap between favelas and other Rio residents narrow or widen? Looking at the balance sheet of gains and losses for the urban poor does not address the issue of inequality. Meaningful interpretation is contextually dependent on comparisons with the urban population as a whole. In order to narrow the inequality gap, gains for the favela population would have to exceed gains of the non-favela population. If the trends of globalization are applicable at the city level, the gap is predicted to become even greater.

To test this we compared our data from the 1969 sample with the census data from 1970, and the data from our 2003 sample with census data from 2000. To get an overall measure of convergence or divergence, we constructed an index of socioeconomic

status (SES) matching the variables used by the census—education, household goods and density.²²

The results indicate that the mean SES score of our communities was and still is lower than that of the city but that the gap was reduced. There was significant upward mobility of favela residents in our three study communities relative to the population of Rio as a whole. The favelas, although they remain stigmatized spaces, did not reflect the chronic poverty discussed in the literature of the Chronic Poverty Research Group in Manchester (Green and Hulme 2005; Moore, 2005) nor did they follow the patterns of advanced marginality described by Wacquant for Chicago ghettos and French *banlieu* (Wacquant 1996). Instead there was a gradual improvement in living conditions in the older favelas vis-à-vis the city at large, while more recent migrants, who are settling in newly formed favelas (or clandestine subdivisions) in the West Zone, filled in the lower ranks of poverty.

When we compared the 1969 random sample with the 1970 Rio census, using the same composite SES index in both cases, our sample scored between the 10th and 11th percentile from the bottom. When we repeated this comparison using our 2003 random sample and the 2000 Rio census in the same communities, the position of the favelas had risen to between the 26th and the 27th percentile. This is not to say they have reached the mean or median—but it does indicate that the gap is closing and that a quarter of Rio's population today lives in deeper poverty than those living in the favelas of our original study.²³ Those who live in our communities today are more likely to be Rio-born and the Rio-born tend to have higher SES than migrants.²⁴ The hope of a better life in the big city seems to have been fulfilled, both then and now: 83 per cent of migrants in the original 1969 study said they were better off than those who stayed behind, and 76 per cent of migrants in the 2003 sample said the same.

Separating out educational level comparisons shows that schooling attained by our study population is still lower than that of Rio's general population, but the gap has diminished since the first study. In 1969 the average schooling for our sample was 2.1 years as compared with 6.1 for Rio's population. In 2003 the average number of years

²² Our SES index is composed of education, consumption, and density (people per room). To compare this with the census, an index of SES for the whole population of the municipality in the 2000 census was created by applying a principal components analysis to: (i) years of schooling; (ii) number of people per room; and (iii) number of domestic items to which they had access (from 0 to 9). The first factor, i.e., the SES score, explained 61.2 per cent of the total variance. We introduced the average of our three communities into the factor equation and obtained a factor score for these communities. The resulting score was -0.437 standard deviations below the mean of the general population of the municipality. Our results remained remarkably close to those obtained through the individual income index.

²³ The growth of new favelas has been primarily in the West Zone, which was sparsely settled grazing land in the late 1960s. The new favelas followed the expansion of the upscale areas into the Barra de Tijuca, leading to a 108 per cent growth in the population of West Zone favelas 1980 and 1992 compared with 21 per cent growth in the South Zone favelas, 14 per cent in the North Zone, and 8 per cent in the centre.

²⁴ In 1969, 43.7 per cent of our sample were born in Rio state, and in 2003 this was 71.5 per cent. In both cases those born in Rio had significantly higher SES than migrants.

of schooling of our sample rose to 7.3 while Rio's rose to 8.8, narrowing the difference from four years to a year and a half.²⁵

Table 2 shows the general structural gains in education Rio-wide as well as the shrinking gap over time between our samples and the rest of Rio's population. The highlighted areas are those where the comparisons are most starkly seen: In 1969/70, 42 per cent of the favela sample had *no* education at all as compared with only 11 per cent in the overall Rio census. In 2003/2000 the entire bar has shifted upward, with almost everyone having attended school and very close to a third of the favela sample and census having entered or completed high school (30 per cent of our sample versus 34 per cent of the 2000 census). It gives cause for hope that 6 per cent of our sample had reached university—despite the fact that it was three times as high for urban residents in general.

This same narrowing of the gap between the population of the consolidated favelas and the rest of the city shows up in household crowding or density as well. In 1969 the average number of people per room in our sample was 1.96 as compared with almost 1.10 in the city, almost double. By 2003 the density in the study communities had dropped to 0.84 per room, while the city density dropped to 0.76—not eliminating, but clearly reducing, the gap.

This convergence is especially apparent in the consumption of domestic goods. By 2003 many favela households owned appliances only available to the upper classes if at all in earlier times. New 'created needs' converted televisions, refrigerators, washing machines, air conditioners and video players into 'basic household goods' in favelas. The only notable differences in ownership between our 2003 random sample and the city as a whole were microwave ovens, cars and computers (as shown in Table 1). Two factors help explain the high rates of consumption relative to income: more disposable income due to low or no housing costs or property taxes and the quest for status through possessions. Regardless of household income, a favela family cannot buy legitimacy or title to their land (even if they have been living there for several generations), so they upgrade their houses and buy household goods and personal consumer items.

This high rate of consumption and convergence towards the norm was not what was expected from the literature on the poverty trap. Even looking at those consumer categories where a relatively large gap exists, it is impressive that 23 per cent of our households have a microwave oven, 18 per cent a motor vehicle and 15 per cent a computer. The households with computers would likely have entered the global information society through the worldwide web. However, I found that only a fraction of those who own computers can connect to the internet since this requires a land-line telephone, uncommon in favela communities. A father who proudly told me that he gave a desktop computer to his daughter for her 15th birthday specifically said he did not want her on the internet and did not want her to send or receive emails.

²⁵ One caveat is that while the 2003 data on SES used only the favela territories originally designated in 1969, the data on school, domestic goods and incomes included random samples of the public housing projects where residents of the best-located favela had been resettled after the forced removal of their community in 1970. This might inflate the numbers somewhat as not all of those in the housing projects were from that single favela, but the trend is strong enough that even discounting for this potential bias, the gap is clearly closing.

Table 2
Ownership of domestic goods (in %)

	1969 Sample	1970 Census	2003 Sample	2000 Census
TV	26	70	97	99
Refrigerator	31	73	97	98
Radio	75	84	94	97
Washing machine			60	65
Air conditioner			35	38
Video viewer			57	71
Microwave			23	37
Computer			15	26
Car or truck	1	19	18	42

Nonetheless internet access is easily available (a direct result of globalization). Most of the residents' associations in favelas now have several computers on line (sometimes 24 hours a day) and usually a group of people waiting to use them. One nonprofit organization had arranged for the donations of these computers and their link-ups and for free training for favela residents. Other nonprofits offer computer access to community residents at their headquarter offices around the city. On-line work strikes me as great opportunity for avoiding stigma, as the worker cannot be traced to a geographic location anymore than a call from a cell phone can be traced to a luxury apartment or a favela association.

The inequality reduction reflects the cumulative benefits of urban life for that segment of the population living in the older more consolidated favelas and is confirmed by self-reported life improvements. In both 1969 and 2003, interviewees assessed trends in Brazil more negatively than in their own lives. A small majority of 1969 interviewees said that life in Brazil had gotten better over the past five years (likely affected by the 'economic miracle' and the shift from rural to urban life) and a small majority in 2003 said Brazil had gotten worse (likely due to drugs, violence, and corruption), but when it came to their own lives, national trends seemed irrelevant: 74 per cent in both time periods judged their lives as better than five years ago. Optimism about their future was even higher: 92 per cent in 2003 and 81 per cent in 1969 said they thought their lives would be better in the next five years.

In the 2001 inter-generational interviews, 61 per cent across all three generations rated their lives as better than in the past (past 30 years for original interviewees and past 10 years for the children and grandchildren). The original interviewees saw their lives as better than that of their parents (53 per cent), but only 44 per cent thought that their children's lives were (or would be) better than their own. The children's assessments were even more negative: only 35 per cent of children and only 23 per cent of grandchildren believed that their lives would be better than their parents. I would tend to attribute this negative assessment to the rising levels of violence.

9 The fear factor: drugs, arms and violence

Without a doubt the most dramatic and destructive change in life for favelas has been the arrival of the drug and arms traffic into the communities. The earlier fear of favela

eradication has been replaced by fear of dying in a crossfire between rival drug gangs or during police raids. The mortality rate is intensified by sophisticated, largely imported arms, which might be termed weapons of mass destruction since the levels of fatal violence now rival those of a city in the midst of a civil war (Cano 2004).²⁶

When no one faction is dominant, the wars over contested turf (sales points called *bocas*) are the most prolonged and violent with gang members from other favelas often joining the fight. Millions of dollars are at stake. When the police come into the favela in what is locally called a *blitz* no one is safe, not even in the privacy of one's own bedroom. They open fire indiscriminately, not giving much value to the lost life of a 'marginal'. Residents report feeling 'trapped between the dealers and the police'. They say both have harmed them more than helped, negating the idea that the 'traffic' is a 'parallel power' providing services, financing and protection ordinarily the providence of the state.

According to re-constructed community histories that groups of residents in each favela collectively developed during an all-day workshop, the starting point of drug traffic as a menace to daily life was in the mid 1980s. They recall the unspoken deal between the then-governor and the police that as long as security were maintained in the rest of the city, they were not responsible for what happened inside the favelas. This coincided with the US crackdown on the Colombian borders and the consequent re-routing of cocaine through Brazil to external markets in Europe and the US.

In the 2001 interviews we asked each person: 'Have you, or a family member, ever been a victim of violent crime?' One of every five people interviewed had lost a family member to homicide. Those who managed to move out of the favelas to modest areas on the far fringes of the city in attempt to escape the violence, were followed by the drug traffic operations within a year or two. The public housing projects that house those forcibly evicted from favelas in the early 1970s are equally plagued by the gang wars.

The police are complicitous. They confiscate drugs and weapons from one group and sell them to another. The judiciary does not hold police accountable and there is no rule of law that the poor can turn to in the face of injustice. The highly organized gangs with more sophisticated weapons than the police and ample funds for bribes have demonstrated their power by shutting down government and commerce in Rio and most of Sao Paulo, most recently by a drug kingpin from within prison.²⁷ Governors are reluctant to call in federal troops to control widespread chaos in the streets as they fear it will jeopardize their future aspirations for presidency by appearing weak. The state has lost control of governance.

At the start of the re-study in 2000, about half the favelas in Rio still had independent residents' associations with popularly elected presidents. One by one the local leaders were driven out or killed, and by 2005 almost all the residents' associations were controlled by drug traffickers, resulting in the loss of collective voice and bargaining

²⁶ The homicide rate for young males is higher in Rio than in Colombia (268 per 100,000 in Rio and 213 per 100,000 in Colombia).

²⁷ Sometimes drug lords prefer to command their operations from prison where they are protected from rival gang members as they conduct their business.

power these independent associations had provided.²⁸ Now the dealers also control entrance and exit from the community, functioning or closing of schools, clinics, commerce and social programmes, and most recently, the distribution of the large propane cylinders used for cooking.²⁹

The all-pervasive fear in the favelas has deprived them of their greatest assets. It has depressed the sale or rental value of homes, forced many local shops and restaurants to close, discouraged new investments in the area, and scared away service providers—teachers, health care workers, nonprofit organizations—and commercial deliveries. Worse still, it has destroyed the social capital essential for conviviality and coping. Local residents have become afraid to leave their homes after dark, stopped inviting friends and relatives to visit, limited participation in community-based organizations (except evangelical churches) and stopped congregating in public spaces. This showed up in our study as a marked decline of trust in one's neighbours and in the previously strong sense of community unity.³⁰

In these ways life is much worse than it was in the earlier years when everyone was free to come and go and to enjoy community activities. People are living under constant stress, unable to sleep through the sound of gunshots and terrified that their children will be shot while playing on the front stoop or returning from school. This 'state of siege' atmosphere takes its toll on the mental and physical health of the residents.

To make matters worse, the constant media coverage of violence reinforces the stigma of living in a favela and deepens the discrimination against hiring people who live there. Job interviews typically end when the applicant's address is identified as a favela. Interviewees across all generations ranked the stigma of living in a favela as more pernicious than of race, gender, appearance, place of origin or age. The very word *favelado*, once a neutral term to designate a resident, has now become so strongly pejorative that its use is avoided.

Globalization has certainly contributed to this devastating change in favela life. The closing of the Colombian borders by the US 'War on Drugs' led to a diversion of the cocaine transit routes through Brazil (which does not grow coca) on to the United States and Europe (via Africa). The greater trade activity of the global economy made it easier to get the raw material and semi-automatic weapons into Brazil and get the cocaine out. One community spokesperson said the most effective thing to reduce violence in Rio would be an embargo on arms imports and the closing of US weapons factories.

²⁸ The one exception, Rio das Pedras, is drug-free but is controlled by *matadores*, death squads made up of retired or active police who use their own power to keep drug dealers out. Anyone selling or buying is killed on sight.

²⁹ As the price of cocaine has recently dropped they are making up the difference by charging fees to residents for permission to deliver cooking gas canisters (propane cylinders).

³⁰ In 1969, 85 per cent of the original interviewees (OIs) said their communities were 'united or very united'. By 2001 this had dropped to 51 per cent of the OIs, 45 per cent of children, and 42 per cent of grandchildren. The frequency of socializing with friends and neighbours and the degree of trust in neighbours had plunged. In 1969, 51 per cent reported that they could count on 'most or all' of their neighbours, but by 2001 only 31-35 per cent said they could—the same was reported among all three generations.

10 Implications and considerations

10.1 Summary

The case study of the urban poor in Rio de Janeiro has shown evidence of positive and negative patterns co-existing in the lives of favela residents between the pre-globalization era and the current globally-integrated era. Conditions have improved rather than deteriorated in many areas, but not all. The favela communities have become physically more integrated into the urban fabric as the city has expanded around them and transportation improvements have shortened commuting time. Infrastructure, services, domestic goods and educational levels have improved. Although unemployment rates have risen, for those who are working, they are more likely to be in 'routine non-manual' jobs, considered more respectable than construction work or domestic service, although the pay is often lower and the hours longer.

The gap in living conditions between the study sites and the rest of the city has narrowed not widened on several quality of life indicators. This apparent 'catching up' of the informal city with the formal cities appears to contradict the logic of globalization—that the poor become poorer, wealth concentrates upward and inequality increases. Nonetheless we cannot infer the opposite causal relationship by imputing the gains of the urban poor to the globalization process. There are many missing links in the chain. The new migrants, who are now the poorest, do not share in the urban amenities accrued over 40 years (or more) of urban life and are now living in the same conditions of poverty that was found in the study sites in the late 1960s. It is now widely known that life in a big city offers more economic, political and social opportunities than in the rural areas. It is also widely known that birth rates drop with urbanization, that education and occupational levels rise, that greater opportunities for 'bridging networks' (diverse contacts) are available and that the longer the urban exposure the greater the advantages (Granovetter 1973). Thus, with or without globalization, it would be expected that there would be gains in living standards across time and generations.

On the other hand, the negative changes observed over time are equally dramatic. Unemployment rose, income gains did not fully reflect educational advances, and only a handful entered professional jobs or moved into desirable neighbourhoods. The cumulative improvements were not sufficient to make the favela residents feel accepted as part of the urban citizenry. The barriers to improved livelihoods/upward mobility included:

- i) *economic obstacles* such as labour market conditions, extreme inequality, and stigma as an impediment to being hired;
- ii) *political obstacles* such as less bargaining power, lack of state accountability or protection under the rule of law (symptoms of cronyism and corruption that militate against fair play; and
- iii) *social obstacles* including deepening exclusion, reduced social capital and the high toll of living in a state of fear of violence.

This suggests that even as progress is being made at the material and educational levels, the goal of breaking out of poverty to become *gente* (a respectable person) is a moving

target that is always out of reach.³¹ Even significant educational and economic achievements are not sufficient to erase the lingering marginalization, exclusion and stigma associated with 'urban informality' (Roy and Al Sayyad 2004).

10.2 Effects of globalization

The majority of favela residents who said that globalization did not make a difference in their lives may have made an important point. There are many intervening variables at the national, state, local and community levels that have a more proximate and direct impact on the lives of the poor than international trade agreements. Local level differences such as proximity to upscale neighbourhoods and job markets, levels of violence and security, access to government or NGO programmes, good schools, health clinics, recreational facilities, computer and arts mentors, and the relationships of the ruling drug faction with the political party in power, all have immediate- and long-term effects. Any unexpected crisis affects the marginalized population disproportionately as they have no safety net to fall back on. Anything from a flood or fire to a factory closing, to prolonged illness or death of the principal breadwinner, can consume the savings of a lifetime, and leave an entire family destitute, globalization or not.

Structural improvements in the city over time would be expected. It is a big leap to say that these are the effects of globalization. The challenge I have proposed throughout the paper is whether it is possible to pinpoint which of the improvements and degradations in the lives of the poor might still have occurred in the relative absence of globalizing influence, if Brazil had continued with import substitution and perhaps invested in human capital and technological innovation instead of servicing a large international debt and focusing on international investment ratings.³²

The mixed findings in the Rio case do not prove that the premises laid out at the beginning of the paper are wrong overall. It is thought-provoking that not all the results from this study conform to their underlying assumptions but does not close the question. In fact the intent and value of the paper is to go beyond the facile positions and ideological platitudes often surrounding the globalization debate and raise questions for further research. Similar research conducted in major world cities, especially those in India, China and South Africa, would provide much-needed points of comparison.

Perhaps we need to distinguish between national, regional and international inequalities on one hand and local or urban inequalities on the other. At the more global level, issues such as the relegation of Sub-Saharan Africa to inconsequential would be confronted, while at the local level, issues of the divide between Ralph Ellison's *Invisible Man* (1953) and Tom Wolfe's 'master of the universe' (1987) would be faced. Current proposals to tax profits on international trade and redistribution of the surplus to poor regions or nations; or compensation to displaced workers (presumably in developed

³¹ For more on the elusive attainment of becoming *gente*, see Perlman (2008).

³² Maricato (2006) observes that in Brazil the finance ministry had become so powerful during the past several administrations that the ministry of cities programmes, already approved and funded by international donors (the Inter-American Development Bank), was held up for years because of credit worthiness and political power plays. In the Fernando Henrique Cardoso as well as the Lula administrations, many social programmes were not funded or under-funded in order to service debts and keep the IMF happy.

countries) for salary differentials will not reach the slums of Asia, Africa or Latin America. They are too distant to trickle down and too many hands will take their piece of the pie before any poor person benefits.

Unless nation states and cities make a new social contract with the poor who service their needs, build their cities and homes and produce/consume their products, the pattern of stunted development, missed opportunities, wasteful resource use and mismanaged governance—i.e., non-sustainability—will be self-replication and self-fulfilling. No country or city can afford to neglect/ignore the intellectual capital, creative potential, productive capacity or purchasing power of 30 to 40 per cent of its population, the average portion of urban population currently living in slums.

There is no level playing field on the pathway towards respect. To create conditions for inclusion or advancement on the basis of merit and effort, the entire social contract condoning extreme inequality will have to be re-examined and confronted. Inequality is the fundamental impediment to upward mobility, economic growth, poverty alleviation and reduction of violence. What is needed is a direct challenge to the comfortable culture of privilege that perpetuates itself at the expense of the common good.

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