

THE HOUSING QUESTION FOR THE LOW-INCOME FAMILIES IN SÃO PAULO CITY

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The present article intends to follow the guidelines traced for the elaboration of the book about economic integration and social exclusion in the countries of the American continent after the Quebec summit. Particularly, it intends to analyze the housing question for the low-income population in São Paulo city by the perspective of the city public authority failure, notably in the municipal sphere, to reduce the scarcity, the precariousness and the illegality of these dwellings. The perspective adopted, to follow the main theme of the book, must include, as reference, the increasing integration of the Brazilian economy into the financial and commodities international markets. Special attention should be given to the possibility of creation, in the first half of the decade, a free trade area for the American countries.

The task is ambitious because it must articulate two different levels of investigation. On one hand, the work constitutes a case study, in analyzing the particular housing conditions in São Paulo city and also includes some mention to his most important historical casual factors; it has to considered, as well, the past performances and future possibilities of the local public authority concerning the solution of this problem. On the other hand, in order to grasp the links with the increasing integration of Brazilian economy, the macroeconomic scenery must also be considered. In particular, it must take in account the consequences of the increasing openness to the capital and commodity market.

The result of the analysis reflects the difficulties of the task. The main focus is the discussion of the housing conditions and the performances of the municipality in the city, keeping the macroeconomic conditions as the backdrop. An attempt is done to articulate these two levels of analysis, however they are done preliminarily and tentatively. So, this way, it is a first version to be discussed and reviewed before its future possible publication.

*Some of the ideas here presented are part of a joint research work with Kathleen C. Schwartzmam, from the Department of Sociology, University of Arizona, Tucson. The formulations and conclusion are, of course, of my own responsibility.

The following text, after the introduction, is divided in three parts. In the first part, arguments are presented in order to justify the attempt in looking for the links among São Paulo city characteristics, the new economic conditions and the housing market for the low-income population. In the second part, are presented the housing problems faced by the poor families who live in São Paulo and the performance of the public authority recently. The financial current situation of the municipality is discussed with the main purpose of evaluating the resources availability for popular housing. The last part tries to come up with some conclusions and possible directions to be followed.

1. Introduction

São Paulo is the biggest city in Brazil, with a dwelling population of about 10 million inhabitants. It's also the most populated urban cluster in South America and, in the three Americas, is just smaller than Mexico City. It is the capital of the State of São Paulo, which is responsible for little less than 40% of the GNP of Brazil. It has the biggest Brazilian university, in terms of academic production and number of professors and students. The contemporary sociology classifies it as a global city (Friedmann,1995) integrating the net of urban centers that make up a new transnational system: the city of São Paulo is the seat of 19 out of the 30 biggest Brazilian banks, part of them controlled by foreign capital.

The characteristics of São Paulo city, some of them pointed above, make it a privileged locus of transformation, which the Brazilian economy is facing, with consequent effects in the social level. The privileged condition of the city isn't the result only of its economic size, but also of its body of resources – human, administrative, technological, institutional, urban – that allows to capture the changes in the international economic scenery and answer quickly the alteration on the economic policies traced by the federal government. This resources endowment accumulated during many decades of political and economic domination gave the opportunity to a group of services and activities, necessary to the international economy integration, develop and concentrate in the last years. Notably

in relation to the financial market, São Paulo concentrates the biggest volume of resources, activities and services associated.

The changes and innovations that the economic dynamics impose on the urban space, reflect on the life conditions of a significant part of the population. Chronic problems of the city – housing for the low-income population, for example – start to include new factors, new question sets and possibilities of solution. New problems appear – degraded areas as the result of the shift of some economic activities, for example – that start to require the public authority resources, particularly the municipality's.

The present article analyzes the housing question for the low-income population¹ in São Paulo city, seeking its articulation with the new economic conditions that have been internalized by the city. This possible relation isn't certainly direct. The mediation is done through the identification of the changes that the biggest integration of the Brazilian economy into the international financial capital and world trade can bring to the city, regarding, specifically, the municipality's financing ability towards the housing demands and the changes in the income and jobs generation conditions that the low-income families have to face. Some presuppositions are clearly adopted.

The statement that São Paulo acquired the status of a primary, or global city, is the initial presupposition of the analysis (Sassen,1988). The concept of global city, formulated by the present urban sociology is taken here as an instrumental hypothesis. There's neither intention to discuss its theoretical formulation², nor to maintain this statement with empirical evidences that corroborate the concept. It allows, however, putting in evidence some of the main changes that the city has been through and formulating the popular housing question over a broader perspective³.

The second presupposition refers to the differentiated impact that the recent economic changes have caused in the different income classes. It's worth saying that one should expect the reduction of the income among the poorest part of the population caused by the growth of informal jobs, involuntary unemployment and accented precariousness of the jobs that the economy openness has caused. Such changes are difficultly compensated by social policies designed by the public authority, this last one submitted to severe fiscal conditions imposed by the macroeconomic stabilization plans.

Finally, it's consensus that the necessities and needs of the poor population are the result of a historical process of social exclusion⁴. The new economic conditions work on this need scenery, redefining its factors and broadening its dimension.

The following analysis is a probe work with the intention of bringing up a set of questions and presenting some preliminary indications. The mediation between the economic changes and the life conditions of the low-income population must include other factors that won't be even mentioned here. The forms of political representation of this group, among others, are an indispensable element to comprehend the real way these families respond to the changes of the city. In the same way, the municipal finances, identified here as the privileged source of resources for the housing provisions, suffer political injunctions alongside of the economic restrictions imposed by the federal government⁵.

In spite of the limitations, this paper has some advantages because it helps to analyze the popular housing question by other perspective is created. This perspective isn't usually found in the evaluation made by urbanites, municipal technicians and pro-housing movement leaders. If the analysis leads to the acceptance of the possible relation between the more general macroeconomic conditions and the housing need for the city lower class, it's possible to conclude that the possible solutions are less promising than we would like to believe.

1. The Brazilian new economy conditions and the popular housing market in São Paulo city

The macroeconomic stabilization plans set in Brazil have always had as target the reduction of the inflation high rates. The " Real Plan", the last one and the most successful plan, started in July 1994 and its main macroeconomic lines are followed till today. The inflation rate was reduced to the level of one digit and the country has been presenting, regarding its fiscal stability, one of the biggest nominal surpluses of the last years.

The 1994 macroeconomic plan was preceded by a series of measures designed to reduce the high level of protection of the Brazilian economy against the international competition. The tax reduction and the elimination of international trade restrictions started

in 1990, and the macroeconomic stabilization plan found, therefore, the Brazilian export sector operating under new conditions.

The 1994 currency reform followed an ingenious indexation artifice of all the prices of the economy, so that they were expressed on a temporary unit of account. After a 90-day period, all prices, expressed on this unit account were converted into this new currency, the real. The inflation was immediately reduced and the task the Brazilian government has faced since then is the maintenance of the new currency value.

The exchange rate control was one of the most expressive measures that the federal government adopted between 1994 and 1999 to guarantee the value of the national currency, generating, consequently, serious instability on the balance of payments. The reduction of international trade restrictions was added to the exchange rate disequilibria causing negative results on the exportation activities and an increased volume of importation.

Alongside the exchange control, the Brazilian economic policy privileged the search for fiscal stability, identified as the generator factor of the inflationary process that Brazil had been through. The public expenditure control spread over the three government spheres, federal government, states and cities – by means, inclusively, of a new legal instrument⁶. The budget cutbacks, therefore, joined the reduction of exportation and the shift of the national production by foreign commodities. A tight monetary policy followed during the last years must be added to this scenery, as well as the high interest rates that were the result of this policy.

The interest rate control had the aim of avoiding the devaluation of the real and a possible exchange rate crisis that could be the result of a sudden increase of the uncertainty that characterizes the financial market nowadays. The interest rate administration was a privileged instrument, for example, when the financial crisis caused by the devaluation of the baht happened. In that moment the Brazilian interest rates were set to an amount of 40% a year.

These instruments of economic policy were manipulated with the purpose of preserving the value of the real and on this way protect the financial market against big and sudden devaluations and, logically, resulted in low GNP growth rates. As a consequence, the labor market reacted, reducing the employment amount and increasing the informal

sector jobs. The Brazilian average GNP growth rate was 2,8 % in the 90's, inferior to the Latin America average and lower than its performance in the last two decades⁷.

The interest rate trajectory, the foreign exchange and the public expenditures that the economic policy has imposed to Brazil greatly facilitated the integration of the Brazilian economy in international markets. The activities linked to the financial market increased⁸ significantly in the 90's helped by the process of privatization of some of the biggest public national companies. Simultaneously, there is a process of merging the commercial bank net that comes to have an accented number of companies with international stock control.

São Paulo city expressively takes part in the changes that occur. The biggest supply of qualified work force, basic infrastructure and telecommunications make it a privileged space, corresponding adequately to the demands of the new technologies that were being implanted. The city starts to articulate the Brazilian and the world economy (Friedman, 1995) and it's also the most important city in South America, including Buenos Aires.

The Brazilian work force market, and in particular the city of São Paulo, reflects the changes that have been imposed by the new economic policy. This way, in São Paulo, the involuntary unemployment varies from a 4% level in the middle of the 90s to more than 7% in 2001. The unemployment rate that includes the discouragement and the precarious work reached, last decade, more than 17%. In absolute terms, the number of works in São Paulo varies from 3,556,392 in 1991 to 3,259,854 in 1997⁹.

On the other hand, the involuntary unemployment in São Paulo city wasn't distributed in the same way through all the sectors of activity. Industry was the most damaged sector, with a reduction of little less than 40% between 1991 and 1997: the absolute number of workers varied from 1,044,742 to 649,722. The trade and services sectors showed a slight expansion: 14% and 10%, respectively. The employment in the services sector was responsible for approximately 60% of the employment in the city in 1999 and for 50% in 1991.

The unemployment wasn't distributed in the same way in relation to the workers' educational level, either. For Brazil as a whole, the unemployment rates,

according to formal education, vary significantly: in 1998 the worker with elementary education presented a 10,2% unemployment rate, and those with secondary and higher education, 6.8% and 2.4%, respectively. The participation of informal work in the total amount of unemployment increased between 1990 and 1998: taking again Brazil as a whole it varies from 40.6% to 46.7%. The Gini index, as an indicator that summarizes the changes that occurred in the work results, varies from 0.59 in 1990 to 0.61 in 1999¹⁰.

The proposition supported in this work is that the changes that have been taking place in the Brazilian economy have an influence over the housing market, making the conditions to acquire a conventional place of residence by the poor population of the city more difficult. This happens because the housing market has in the income distribution and price – quality relation the main factors of the supply and demand, respectively. The relation price – quality defines the minimum price for a certain kind of place of residence and the income distribution determines how many families have not enough income to reach this value (O’Flaherty, 1996).

In general terms, we can identify two mechanisms that allow the growth of dwelling supply: the production of new places of residence at a price according to the different market income layers of the family budget and the loss of the residence value as a result of depreciation. The depreciation mechanism makes the supply curve displacement in relation to its original position, reducing the low-quality housing price and diminishing, this way, the necessary family income to acquire it. The price of the new place of residence refers to the quality that businessmen judge more profitable to offer, having the invested capital profitability as the only criterion.

Although very simplified, the housing market model presented makes it possible to understand the multiplication of illegal and precarious alternatives that the poor population of the city adopts as the solution for their need of housing. The quality of the places of residence and its price in the market are inaccessible to the lowest-income population. The depreciation mechanism is not sufficient to bring the price of residences down to an extent that the poor family can afford them, according to the new price-quality condition. The emergence of shantytowns, slums, and illegitimate lots responds to this restriction. In São Paulo, the cost of urban lots makes the production of places of residence to upper and middle classes more profitable, letting the supply of popular housing to the

public authority. The recent growth of the income concentration and unemployment in the lowest qualified working class tends to aggravate the scenery.

2. The types of housing for São Paulo city low-income population and the provision by the public authority

The scarcity of housing for the low-income population of São Paulo isn't a recent problem. It started at the beginning of the 20th century, when the process of industrialization in the capital of the state became more intense. Slums, rental collective residences occupied mainly by European immigrants, appeared in that moment. They were unhealthy, with high density of dwellers, but supplied the housing necessity of a working class that, differently from the newly freed slaves, paid for their residence in cash and dealt with urban economic activities. The slums consisted of large houses with their interior subdivided and occupied by several families, and, in the majority, were wealthy farmers' ancient residences. There was no rental contract and the living conditions didn't follow the legal requirements. The slums bring, since the beginning of the urban process, the characteristics that will follow this kind of residence for low-income population until nowadays: the payment of rent, the precariousness and illegality. During the next decades, this way of living will keep these attributes. The slums multiplied and kept up with the city growth until its actual limits (Schor, 1996).

The shantytowns, another housing alternative for the low-income population, are more recent. They apparently appeared in the 40s, but started to spread largely only in the 70s. They consist of great urban clusters, made up of roughly built huts, built in invaded public authority's empty areas, and much less frequently, private properties. They were used as dwellings for the great wave of migrants, construction workers during the accelerated growth of the city and the expansion of its businesses. The migrants came mainly from the northeast part of the country, so they consisted, in the majority, of low-qualified and low-paid work force. The shantytown, with no need of any payment or taxes, was the only way of housing at their reach: illegal and precarious (Taschner, 1997a).

The growth of the city in the 70s witnessed the emergence of another housing alternative for the low-income population, known as auto-building, the main responsible for São Paulo outskirts growth. The auto-building process took place almost entirely on

illegitimate lots, irregularly urbanized areas. The illegal condition does not allow land regulation and the disobedience of the minimum legal built requirements is an extra hindrance to this.

The shantytown dwellers made up approximately 19.8% of the total amount of inhabitants in São Paulo in the 90s, although they represented in 1993 only 1.1% of this population (FIPE/SEHAB, 1994a). Now the number of slum dwellers, which has a more stable development than the shantytown dwellers during the last decades, represented 9.3% of the population of the city in 1974, falling to 6.3% in 1994 (FIPE/SEHAB, 1994b). In the middle of the last decade, slum and shantytown dweller together made up almost 26% of the 9,600,000 people who lived in the city. Considering only the number of shantytown and slum dwellers, there were approximately 2,500,000 people living in precarious and illegal conditions at the end of the last decade¹¹.

The total sum of the dwellers of the illegitimate lots hasn't been calculated yet. However, there are some non-systematic indications for the last decade that make it possible to evaluate the magnitude of the problem. This way, between 1991 and 1996, as the population in São Paulo grew at a rate of 0.4% a year, the population living in illegitimate lots in restricted water-source areas grew at a rate of 4.6%. Data related to a small subgroup of lots reveal that nowadays, about 60,000 people live in this area, where about 70% of the buildings are illegal¹². Imprecise estimation calculates the total number of dwellers in these areas at 5 or 7 times more.

In order to have complete scenery of the housing needs of the city is important to mention the homeless. Although they represent a peculiar side of the housing problem in the city, they make up a contingent of almost 9,000 people, with indications that this number already reflects a process of increasing of this population in the last years (FIPE/SAS, 2000). Shantytown, slum and illegitimate lot families share quite precarious conditions of housing including overcrowding and poor sanitation in slums, as well as lack of water mains and adequate system of sewers in shantytowns and illegitimate lots. All these illegal kinds of residences are the result of the impossibility of having access to the housing market, that focus its legitimate supply of residences on the middle and upper classes of the city. The poor families do the access to residences through illegal decisions.

The long and recurrent history of scarcity and precariousness of the poor family income level made the public authority take charge, at least formally, the task of providing these residences. The supply also displays a long past of approximately six decades ago.

In the 40s appeared the first register of public supplies and housing, responding to a deep housing crisis in the major Brazilian cities. The federal government started some housing projects, even though political reasons and corporate concerns hindered the full execution of these projects. In the 40s, therefore, the Brazilian government was already in charge of providing these residences, noticing that the market mechanism was not capable of supplying the demand (Bonduki, 1998).

Until 1964, the popular housing supply by the state was sparse and insufficient. In that year, is implanted a national system of housing supply that lasted until the middle of the 80s. This system consisted of a federal agency, the National Housing Bank (Banco Nacional de Habitação), which controlled the main and practically exclusive source of housing resources in that time, a compulsory collection percentage over the workers' salaries and companies from the formal work market. This compulsory savings would be used in two situations: unemployment and house acquisition.

A large net of agencies distributed over many Brazilian states supported the federal system. The agencies, housing companies, were in the majority of municipal competence and worked as an executor of housing policies designed by the federal government.

In the middle of the 80s this system collapsed. The bad use of workers' resources in the period of high inflation rates caused, by the financial point of view, the impossibility of a new housing financing, making the housing policies of the federal government impracticable. The conjunction of high inflation rates and the priority offered to middle and upper classes housing financing, were responsible to a hard distributive effect, transferring resources from the workers' savings to these residence owners.

The housing crisis, managed by federal government, did not extinct the compulsory payment by the workers and businessmen. Until today, it's kept as the main source for resources to build popular housing. A new organization was created to manage these resources, including a representative from the main union trade of the country. This organization defines the housing policies to be followed, which in their turn, are

implemented in several states through federal financing agency net. The actual housing policies defined by this organization set as one of the priorities the housing financing to low-income families.

In 1988 the new Brazilian constitution was promulgated stating, in its 23rd article, that the social housing provision is part of the task of any of the three levels of authority: federal, state and municipal. The constitution also promotes the fiscal decentralization and creates, consequently, the conditions for the execution of social policies, many of them that had been under the federal government responsibility, by states and municipalities. The country redemocratization process also contributed towards this movement of decentralization by improving the local governments autonomy.

The 90s started with the reduction of the participation of the federal government in the housing policies. The extinction of the Housing National Bank (BNH) and the necessity to obtain the fiscal stability acted as important factors for the delegation of these responsibilities.

São Paulo state took over the control of this totally new task. In 1989, the state law that destined 1/18 of the taxes over the flow of commodities (ICMS) to popular housing was passed, helping up-to-three minimum wages families. At the end of each fiscal year the renewal of this law is submitted to the state legislative assembly and its continuous renewal till this moment has made it possible for the destined resource to social housing increases substantially.

Between 1986 and 1997, 184,251,000 residences were offered and traded by the Urban Development and Housing Company (CDHU), organ responsible for the housing policy in the state of São Paulo. Approximately 30% of this total was destined to up-to-20,000 inhabitant municipalities, although they represent just 9% of the state population. The six municipalities that have a population of over 500,000 inhabitants received 15% of this total, although they represent little more than 10% of the state population. The city of São Paulo received in this period 23,638 residences, little less than 2,000 a year. The other residences were built in municipalities with a population between 100,000 and 500,000 inhabitants (CDHU, 1998)

The state government resource availability contributed little to the solution of the housing problems for the poor population in São Paulo city. Privileging the supply of

residences of the countryside, São Paulo municipality became responsible, in practical terms, for the housing provision for these families.

The municipality housing policies are executed by the housing company of the municipality, which has been on since the beginning of the national housing system. The resources used by the São Paulo city COHAB come from budget endowments and special programs, notably the contracts signed with IDB and the World Bank.

Between 1992 and 1999 the São Paulo municipality built approximately 14000 residences through house-raising and auto-management programs. About 50 shantytowns out of more than 1500 shantytowns of the city were urbanized. The process of urbanization benefited 26000 families by paving the streets, dividing the lots, making water mains and sewers, and making streets that allow better access to the shantytown residences. In other 70 shantytowns little improvement was made using house-raising programs, benefiting approximately 3500 families (Taschner, 1997b).

From 1993 until now, the São Paulo municipality's performance was not enough to provide popular residences. In this period the guideline was the urbanization of shantytowns through the construction of small buildings with part of the resources provided by the IDB since 2001. Until 1997, 9000 apartments had been finished, benefiting 54 shantytowns and more than 60000 unities were being built at that time.

The difference between housing necessities and residences provisions for the low-income population was the result of a big number of precarious residences considering only slums and shantytowns, more than 250 thousands residences. Considering the resources availability, what possibilities does São Paulo municipality have to make a stand against this demand, at least partially?

The total amount of São Paulo municipality's estimated debt today is something like US\$ 870¹³ million, and US\$ 530 million of this total shall be paid to the National Treasury as counterpart of loans made. The payment of external contracts totals US\$ 56,5 million and the payment of expropriations (precatories) correspond to US\$ 173 million. This year 2001, US\$ 65 million of expropriation shall be paid, representing 18,3% of the estimated revenues. If this year estimated revenue is kept the total debt will represent 2.4 times the annual revenue of the municipality. For 2001 and 2002 the distribution of the foreseen revenues, according to the big items of expenditure, is:

São Paulo Municipality - Total Expenditure Predicted to 2001 and 2002

(US\$ million*)

Expenditures	2001	2002	2002/2001
General Maintenance and Public Services	1,217.4	1,173.9	-3,6%
Payroll	1,391.3	1,500	7,8%
Investments	173.9	252.6	45,3%
Judiciary Precatories	173.9	260.7	50,0%
Payments to the National Treasure	408.7	528.7	29,4%
Others	220	244.7	11,3%
Total	3,585	3,060.8	10,5%

Source: Secretaria de Finanças do Município de São Paulo, 2001

* 1US\$ = R\$ 2,3

According to the predictions, the revenue that the municipality expects to collect by each inhabitant of the city will be US\$ 359 in 2001. Subtracting the debt compromising and the payroll the municipality has as net revenue only US\$ 139 by inhabitant. In 2002 the estimations point total revenue of about US\$ 4 billion, resulting in annual total revenue per inhabitant of US\$ 396.00. Subtracting the compromises with the debt and the payroll, the annual net revenue per inhabitant is US\$ 142.60. The budget revenue can be improved by external loan from international institutions, for example the World Bank and the IDB. In order to obtain these possible contracts, the municipality has to have the federal

government endorsement, because it doesn't have juridical independence to sign the contracts by itself. The additional condition, logically, is that the international institution considers the proposed projects adequate to its own objectives.

The significant increase of the municipality's debt started in 1993, as the result of loans made by the municipality. Municipal bonds were issued, acquired by the São Paulo State Bank and by the Brazil Bank, both public institutions. In 1999, the debt was renegotiated, in consequence of the difficulties concerning its payment by the municipality. The negotiation led to a long-term payment schedule, although the annual payment is still significant. The amount concerning the payment of the interests and the principal to the National Treasury, in relation to 2001 and 2002, already reflects the new condition of the municipal debt payment (Secretaria de Finanças do Município de São Paulo, 2001)

The municipal revenues come, fundamentally, from three sources: a) the tax over any kind of service (ISS), that is the most important one; it represented 46,2% of the taxes revenues in 1996 and 47,5% in 1999; b) the transferences of resources done by the state government to the municipality; under this item the most important component is the revenue derived from the commodities and services circulation (ICMS); c) transferences from the federal government, a not so expressive parcel of the total revenue. The "other revenues" have little influence, although the amount of resources under the label of "LOANS" has been expressive in the last years, reflecting the debt growth. The loan values diminished drastically in 1999, as consequence of the debt renegotiation and after this they were registered as internal contracts.

It's worth noticing that the ICMS and ISS revenues vary according to the economic activity level, and therefore, they respond sensitively to the macroeconomic policies implemented by the federal government.

In order to evaluate the relation between the total of resources available by the São Paulo municipality for the supply of the urban services and the housing needs of the poor families, it's important to estimate the number of residences for slum and shantytown families. The resulting estimation is cautious, as important sectors of the housing demand are excluded: illegitimate lot families and homeless. The first group is excluded because there isn't a precise estimation of the number of families living in this condition, and the

homeless because they need, besides housing, health care, work and re-education programs. For this reason, the reckoning of their need is of another kind.

The 1,9 million shantytown dwellers of São Paulo city make up households of 5.2 people, on average, living in about 365 thousand residences. In order to obtain a conservative estimation of the residence deficit in the shantytowns of the city, the dwellings made of re-utilized wood, plastic, cardboard and zinc, roughly built huts known as "barracos", will be considered as needing substitution. The other residences in the shantytowns, made of cement blocks, however precarious, won't be included in the estimation because they represent housing conditions a little better than the "barracos". A field research done in the first half of the 90s estimated that the total amount of "barracos" inadequately built in São Paulo represented 25% of all the residences in its shantytowns (FIPE/SEHAB, 1994a)

The estimation for the number of residences of the slum population is a simple one. To each family we can associate the necessity of one conventional residence, because the involuntary cohabitation is one of the most remarkable features of this sort of multifamily residence. The number of necessary residences for the amount of 600 thousand people living in slums in the city is 182 thousand, because a field research conducted in 1994 found an average of 3.3 people per household (FIPE/SEHAB, 1994b).

Considering the unitary cost of each building, as the value set by the Caixa Econômica Federal in the popular housing financing plan¹⁴, it would be necessary US\$ 2.4 billion to provide the additional quantity of residences for the slum and shantytown dwellers. In the case we include the expenditures with the urbanization of non-benefited shantytowns, it would have to be added US\$ 1.3 billion, as concluded in the São Paulo municipality own estimation (Taschner, 1997a). The total resources represent 74% of the São Paulo municipality expected revenue in 2001.

3. Final comments

The so - called global cities have been playing an important role in the articulation of national economies and international capital and commodity markets all over the world. The literature on the subject is extensive and tries to identify the particular way

each large financial and affluent center accomplish this task. It also examines the increase on the economic and social inequality that is the result of this process.

In order to identify the sequence of links that articulates the housing question in the city of São Paulo with the crescent integration of the Brazilian economy into the international markets is necessary to take in account the different levels of analysis: international economy, Brazilian economic policy, the São Paulo municipality's financial condition, among others. The different levels of analysis are articulated by some hypotheses and supported by some empirical evidences. The results must be cautiously examined, considering the articulation of such different levels of analysis. Adding to this, a great number of intervening variables are not included into the analysis, the low-income population housing needs estimation are neither available as often as they should, nor the data about the formal popular housing market.

In spite of the indicative nature of the conclusions, the analysis allows to point the most relevant factors involved in the popular housing question in the city of São Paulo. In particular, it allows remarking the role of the macroeconomic restrictions as important factors to determine the possibility of the poor families pay their own residences or the municipality possibilities to provide them. The key variable of the analysis is the trajectory of the Brazilian national income and GNP, as well as the structural modifications that occur in the labor market as an answer to this trajectory.

As mentioned above, São Paulo city has internalized the changes that the Brazilian economy has been through as an answer to the new international economic order. This new order, having great influence on almost all countries in the world, has produced a particular effect in Brazil. The long Brazilian inflationary and protectionist tradition had to be substituted by a government agenda that privileges the fiscal stability and the openness to the international markets; at the same time the full employment as a government priority was dismissed.

It's important to bear in mind that the necessity to keep the inflationary process under control led to recessive macroeconomic stabilization plans. The Brazilian vulnerability to the international financial capital movements sets inflation as an absolute priority, relegating other economic goals - like growth and employment - to a less prominent position.

The new economic policies bring consequences not favorable to the labor market and these consequences are supplemented by the technological changes that follow the increase of competition in all domestic market. As part of this scenery, the strong growth of the financial market caused the increase on the demand of qualified workers, displacing part of the number of non-qualified workers. Considering what has been shown so far, it's clear that the decrease in employment hit the low-income families.

The economic changes are more clearly perceived in a city remarkable for its social and economic inequality, an outstanding trait of the Brazilian economy and particularly present in São Paulo city. The popular housing history in the city resulted in an amount of approximately 280 thousand precarious residences spread all over the city but mainly on the outskirts.

The disordered urban expansion towards the outskirts had in the auto-building an important factor and created the complementary necessity of public service expansion: transportation, water mains, sanitation, lampposts, schools, police stations and health primary care service. The answer to this demand, part of it under the control of the municipality, led towards a strong pressure on the resources available to attend the necessity of the city services. Part of these services - health primary care service, for example - are municipality's responsibilities, that partially, and sometimes inadequately, answered to this demand.

The demand on the municipality's resources was also extended to the urban transformations caused by the movement of some economic activities from former areas to new urban centers, for example: at the end of the 90s an old and valuable area in the west of the city became empty with the transference of many banks and financial seats to the south part of the city. The creation of new economic centers of financial activities concentration was preceded by the housing valorization of areas that were empty before.

The main investment target by the housing companies are office towers with a high unitary value. The occupation of these buildings leads to an increase on the search of this kind of investment. This effect results in a series of complementary services and requires, simultaneously, the expansion of the necessary public services to the operation of the new area. The creation of new access streets, including the expropriation necessity, imposes a great pressure on the municipality's resources. At the end of the 90s, in

particular, the creation of this access streets was responsible for an increase in the São Paulo municipality's debt amount.

The prioritizing importance that the state government has been giving to the countryside cities, and the little role that the federal government has been playing on the housing demand program, make the municipality the last and only source for popular housing resources. The series of demands that the municipality must attend and the debt amount to be paid let little room for optimistic predictions.

The poor families' housing need reduction faces a series of restriction. In first place, one must, at least partially, point to the magnitude of the problem and the conditions associated to its solution. It's worth saying that the significant housing deficit, if we consider just the number of slums and shantytowns in the city, requires a solution with a building scale compatible with the problem.

The urban land availability is the first exigency to make the large scale supply possible, considering the difficulty related to the chaotic expansion of the city towards its outskirts. Complementarily, many empty areas have been bought already as the result of the successive valorization processes. The expropriation of these areas would certainly raise the housing unit price.

The second restriction is related to the resources that can be mobilized to the supply enlargement. Besides the municipality's budget, the funds for the construction could come out of financing resources from Caixa Economica Federal that operates with the workers' compulsory savings, the FGTS. The compulsory collect over the paid payrolls in the formal labor market has been diminishing during the last years, caused by the increase in the number of informal jobs and the reduction of the economic activity level. In the same way, the most relevant taxes related to the revenue resources - ISS and ICMS - are sensitive to the GNP variation.

What consequences can a greater economic openness bring to the city of São Paulo and its different urban problems? If the patterns for the integration of the Brazilian economy in the international economic order and the orthodox federal government economic policy are maintained, optimistic predictions will be difficult to fulfill.

ENDNOTES

¹ " Low-income families/ population/" and " poor families/ population" are terms used, along the text, as synonyms. Both are terms that reference to families/population that live in slums and shatytowns in São Paulo city. Eventhough the family income of most part of this families are under the poverty line there is no intention to use these terms in this sense.

² There is not, for example, any discussion about the diferences between global and primacy cities.

³ Most part of São Paulo city popular housing analyses are done by architects, sociologists and social work assistents. A macroeconomic approach on this subject is scarce.

⁴ The expression social exclusion is being used with no precise definition of its meaning. Although the discussion is basicaly economic, its meaning is much broader than this dimension. The present analysis is, certainly, partial because is does not include other aspects of the inhabitant living conditions in São Paulo city slums and shantytwons. The globalization term shares the same difficulties.

⁵ The expense accounts of the last municipality administration, 1997/2000, was not approved by the municipal account supervisory organ (Tribunal de Contas do Município). The 1993/1996 mayor is being suit under suspicion of resource missallocation.

⁶ The Fiscal Responsibility Law (Lei de Responsabilidade Fiscal), nowadays in effect, defines that the eventual fiscal disequilibria of states and municipalities is a punishble delict.

⁷ The Latin America growth rate in the 90s was 3.4%. The average Brazilian growth rate in the 60s was 6.1% and 8.7% in the 70s. Argentina, also facing a strong employment reduction, grew 5.9% in the 90s. The source is CEPAL.

⁸ São Paulo city's data on financial activity concentration are sparse and non-systematic. The available pieces of information concern the companies based in different Brazilian cities, however the headquarters are in São Paulo city. Nineteen out of the thirty biggest Brazilian banks classified by the total deposit values had headquarters in São Paulo city. These banks are responsible for approximately 45% of the total deposit values. In 1999 these deposits reached approximately US\$ 163 billion. The two biggest banks, concerning deposit values, are public, with headquarters in the federal capital, and, not considering them on the state banks list, the São Paulo city banks percentage, considering the deposit total, is increased on 57% of this total.

⁹ SEADE Foundation (State Government Data Analysis System)

¹⁰ National Research of Residence Samples, IBGE, 1999

¹¹ The total number of shantytown, slum and illegal lot dwellers and homeless, and their housing necessities require a field research. These residences illegal situation result in their non-participation in the municipality's official census. These surveys require specific methodologies, mainly on what concerns the slums and the homeless in the city

¹² Estimation made by the Housing Lab of The Urban and Architecture Faculty, 2001 (LABHAB FAU-USP)

¹³ Exchange rate: US\$ 1.00 = R\$ 2.3

¹⁴ Caixa Econômica Federal Leasing Residential Program (Programa de Arrendamento Residencial da Caixa Econômica Federal) using FGTS resources.

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