

Global-Local Relations, Economic Reformation and Instabilities in Brazil: the Case of Porto Alegre

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Abstract: *One of the key topics currently in Social Sciences is the impact of the globalization process on society, in its very different aspects. We begin from the point of view that the current globalization, showing a strong neo-liberal accent, especially with regard to the economic restructuring process imposed to Latin America, has carried out some social consequences for Brazil. In order to understand and seek causative interrelationships between the global-local relationship and taking into account the context of the economic reforms applied in the area in the nineties, we analyze the kind of association with regard to the socioeconomic changes happened in Brazil, considering as a case study the Metropolitan Region of Porto Alegre.*

Key words: *Globalization, Global-Local, Economic Reforms, Latin America, Brazil, Porto Alegre.*

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Introduction

The impact of the globalization process on society, in its different aspects, is nowadays one of the key topics in Social Sciences. In this paper we will analyze the complex interrelations system among the different external economic and social agents -global- that are involved in the local changes in Brazil, taking as example the city of Porto Alegre. We start from the following assumption: the *current globalization*, taking into account the economic restructuring imposed to Latin America, has carried out various social consequences to Brazil. We verify in that way the existing kind of association among global transformations -in the context of the economic reforms applied in the area in the nineties- and the local changes observed in the country and, specifically, in Porto Alegre and its metropolitan region.

It is observed in Brazil, in a more stressed way since last decade, a gradual increase process of the social inequalities, with a worsening of the social framework. This is frequently attributed to the macroeconomic imbalances in the national and regional area, associated with the economic restructuring of the nineties. In this setting, a gradual increase of the influence of the actors operating from the external sphere in the local processes has been observed. In the Brazilian case,

the economic reforms of neoliberal tendency would play a decisive role for the transmission of the external instabilities into the local area.

Globalization and Instabilities

The studies about the so-called globalization started to be outstanding in the beginning of the nineties, with the overcoming of the Cold War and the proclaimed victory of the capitalistic Western or American democracy. Gradually, this term became to use in a more general way to explain a series of phenomena associated with different vectors of external transformation origin of the local changes.

We can state that, due to the polysemy of the term *globalization*, what it means and the strong ideological connotation that is obtaining, the definition that from our point of view seems to be more adequate is Held's (1997). According to this author, globalization means the expansion and deepening of the social relations and institutions in space and time, giving rise to the fact that the daily activities are increasingly influenced by the facts and events taking place in the other side of the globe, in the same way that practices and decisions of the groups and local communities could have important global repercussions. For *neoliberal globalization* we understand a variant of it. Through an exhaustive argumentation based on the huge mobility and superior adjustment capacity to the economic environment with the deregulation of the economy agents in the free market, this is constituted as a key element of an articulated speech that claims cutting reforms in the State and questions any governmental initiative that could be considered as interventionism. Especially in Latin America, the neoliberal globalization involves a previous long reforms process that we name *neoliberal restructuring*. This set of reforms based on the supposed crisis of the State, defends the economic opening, the elimination of fiscal tariffs, the fulfillment of a privatizations agenda and the re-dimension of the governmental activities in the economic and social sphere to the minimal size. In the same way, it demands the end of the interventionism and the adoption of policies of rigid monetary stabilization -that, in the case of the developing countries, include surpluses for the services of the public and external debt. The *neoliberalism* is, therefore, the economic tendency improved with these ideas, that proposes dogmatically to liberalize the regional and world markets, in the belief of the fact that the free trade trends and the financial flows give rise to the best result for the growth of the human welfare. With the terms *local or local environments*, we usually identify the human groupings, independent of their dimension, but defined according to the context, associated with management, decision and control levels they are referred. The understanding of the local is linked to the idea of multidirectionality of its relation and what it reflectively implies in its realities or, in other words, the relation maintained, the roles developed and their significance for the other "locals" and the global area.

In the researches connected with this topic a wide concepts and interpretations spectrum can be found. This is because the term globalization became gradually to use in a more general way, trying to explain the different changes in the local environments associated with different causing external factors. The lack of solidity of what can be understood as globalization, or even, because this object of study is in constant development, may induce to wrong or even equivocal interpretations. This was the case of the enthusiasts of the first half of the nineties, who did not expect the crisis succession that shook different regions of the world -beginning in Mexico in 1994, then Asia (1997), Russia (1998), Brazil (1999) and Argentina (2001). In Social Sciences, these facts have gradually caused that predictions became increasingly more cautious and critical. Throughout the last years, the prudence favored the association of that term when it is approached to the supposed danger of the growing inequalities; or to the problems that the continuous erosion of the State may cause; also related to questions of predicative cultural, to the sphere of the possible impact of civilizations; or, on the other hand, even to the networks analysis, what it would explain better at least the dynamics causing the marginalized areas existence and other ones "included" in this process.

Globalization, because it is a process showing risks and opportunities, gives rise to the fact that countries face challenges whose answer is earnings or losses, or development or backwardness. The good answers to the globalization favor the inner transformation, growth and integration, giving rise to conditions so that the local community strengthens its participation in the commercial, financial and political relations that are processed in the external area, impelling also its capacity for deciding its own destiny. The good or wrong answers affect directly the employment and income levels, capital accumulation, growth rate, scientific development, etc. Therefore we see countries capitalizing benefits, while other seem to be immersed in a chronicle crisis, facing macroeconomic imbalance processes, inner fragmentation, deep social tensions and loss of control as contrasted with the impacts of the decisions taken in the external context. In the Latin American case, it is observed the signs of a wrong answer, with the symptomatic observation of the features mentioned above.

The big actors, the market and the debt: the perspective of a developing country

The collapse of the markets, the megamergers, the internationalization of the productive processes and, especially, the remarkable growth of the financial capital and its movement capacity -supported by the development in the communication technologies- are transforming phenomena that exceed the economic field in order to be motor elements of the global interconnection. Increasingly the economic field is configured as the most important dimension of what is understood by globalization. This is happening nowadays and it is impossible to detach the economy from the policy, as well as from the social area and even from the ecology.

The market action has led the State to a crossroads. An attempt of raising new barriers for the financial flows or integration of the international economy would tend to show large economic and political costs, and they would be practically non-viable. In this context, the States suffering chronic economic imbalances or out of the large economic blocks would have a larger difficulty for implementing actions in this sense. To understand the global insertion policies adopted by the Latin American countries and their reflection in the inner sphere is necessary to take into account the roles developed by the most important current external political actors in the region: the IMF and the World Bank. These institutions, whose principal purposes are to supply recommendations of technical character, economic directions and financial loans to the economies in serious difficulties, working as an intergovernmental consulting instrument, assumed a remarkable economic and political significance in the region. The conditions imposed to facilitate the access to the loans, generally directed to the incentive of the free market -and consequently to the structural reforms accomplishment in the national economies- influence in a decisive way in the balance of the local social and economic order. To any government that intend to obtain financial aid from the IMF¹, the measures adoption is frequently imposed as condition in order to release credit or renegotiate the conditions of the debt. Measures that restrict the expansion of the credit, the reduction of the government expenditure, the limitation of wages and employment in sector, the devaluation of its currency and the reduction of the assistance programs. It is also invariably requested the fact that the receiving State of the aid has to follow strict fiscal and monetary austerity norms, the economy opening to the private sector, the complete removal of the domestic protections and a greater confidence in the market for the equation of the productive and distributive problems². Though its policy has had several stages, those are the requirements also adopted by the World Bank (Held: 1997, 140).

We do not have space enough here to talk about another factor that favors the centralization of the economic and political power in the Northern countries, which limits the opportunities generation in other parts of the world. We are talking about the well-known excessive concentration of the original capital in the Northern countries in the commodities trade and financial market. Currently the member countries of the G-7 are origin and destination of almost 50% of the international trade, either commodities or services. In the stock market, at least 80% of the foreign

¹ Since the growth rates of the debt in the developing countries reached unreasonable figures, there is not any perspective in a short or medium term so that the interest and amortization payments give rise to an effective reduction of it. By 2002, a total debt of approximately 3 trillion dollars is estimated for the developing countries, or nearly the 40% of the GNP in these countries. This means an evolution over 200% with regard to 1985.

² Since in the IMF the decision mechanisms are governed by the vote rights -which are equivalent to the individual contributions provided by the members-, the decision power is in the Northern countries, that hold most of these contributions. Thus in the decision-making, the geo-economic power is integrated into the political power of these countries. The management of the loans and (re)negotiation policy of the debts in the developing countries by the Bretton Woods institutions, that instead of solving the problems of those countries they have increased the dependency and gave rise to more social tensions, is the target of many critical by numerous authors, who claim reforms or the substitution of these organizations for more efficient ones (Arizabato: 1994; Browne: 1994; Gester: 1994; Palacios: 1998; Martín: 1999; García Roca: 1999; Fernández: 1997; Tetzlaff: 1996).

investments have as origin the industrialized countries (Walts: 1999). Taking into account this reality, it is difficult that the Southern countries can elaborate and implement promotion and economic development policies in an autonomous way. Evidently, the small capacity of control that they have over the process gives them a helping role in the global economy, making that the countless economic adjustments and readjustments are, not a sign of a most daring policy of global insertion, but a set of measures, taken many times abruptly, to avoid the uncertainties of the international market, overcome the macroeconomic imbalances and obtain some short term benefits.

The Economic Restructuring in Latin America in the Eighties and Nineties

The economic crisis of the eighties had important consequences in the economies of the developing countries. With respect to Latin America, the reorganization facing the crisis of the world economy was a reaction and attempt of overcoming the stagnation situation of these economies throughout eighties, decade that began with a deep economic crisis, product of the exhaustion of a development style that carried to the countries of the area to a growing external indebtedness and an increase of the poverty levels (Díaz Orueta: 1997). To sum up, the main changes in those economies were: the framework of the end of the substitution policy of imports; the gradual process of capital internationalization, with a large opening to the foreign investments in previously protected sectors of the economy; the agricultural crisis, with falls of prices, increase in the migrations to the cities and a gradual increase in the lands concentration; the huge private and public indebtedness with the international and also local financial system, the growth of imports as element of the means of consumption; the monopolistic concentration in several economic sectors; a great capital drain to the central countries; the increase in deficit in the balance of payments and finally, the elaboration and the orthodox policies realization of inflationary control.

In the nineties, there was an aggravation in the economic situation and worsening of the social framework in the countries of the area that, in addition to following the path started in the previous decade, have suffered with the deepest application from reforms with neoliberal content. The successive negotiations with the creditors, the commitment letters and goals schedules signed with the IMF and the World Bank demanding "structural reforms", put under pressure the national economies of these countries so that they adopted liberal macroeconomic policies of privatization and opening of the economy. That gave rise to a transformation in the State structure, and consequently in all the public administration, turning out a gradual transfer process of attributions for the private initiative. In that way in Latin America there was a substantial reduction of the state activities in the economy and, disastrously, also of its social actuation. The economic restructuring has carried out to the fact that the countries of the region adopted adjustments policies designed by the neoliberal model as way out to the crisis of the eighties (Díaz Orueta: 1997; Ziccardi: 1997).

The economic reforms in Latin America succeeded with large costs in collapsing an inflation in the countries of the zone as a whole, that had an annual average of about 1,200.0% in 1990, and around 9.6% in 1999 (Table 2). The economic policies applied under the patronages of the IMF, that include large privatizations and collapse of tariffs, caused a deep social impact, since they came with the meaningful increase of the unemployment (Table 1), increase in the poverty³ and, on the contrary to one of the main objective, worsening of the regional indebtedness (Table 3).

Table 1
Urban Unemployment in Latin America in the Nineties*

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Argentina	6.5	7.0	9.6	11.5	17.5	17.2	14.9	12.9	14.5
Brazil (1) (2)	10.7	15.0	13.0	12.8	13.2	15.2	17.0	19.4	21.1
Chile	8.2	6.7	6.5	7.8	7.4	6.4	6.1	6.4	10.1
Colombia (1) (2)	10.2	10.2	8.6	8.9	8.8	11.2	12.4	15.3	19.8
Ecuador (1)	8.5	8.9	8.9	7.8	7.7	10.4	9.3	11.5	15.1
Mexico	2.7	2.8	3.4	3.7	6.2	5.5	3.7	3.2	2.6
Peru (2)	5.9	9.4	9.9	8.8	8.2	8.0	9.2	8.4	9.2
Uruguay	8.9	9.0	8.3	9.2	10.3	11.9	11.5	10.1	11.2
Venezuela	9.5	7.8	6.6	8.7	10.3	11.8	11.4	11.3	15.4
Average (3)	7.9	8.5	8.3	9.9	10.0	11.7	10.6	10.9	13.2

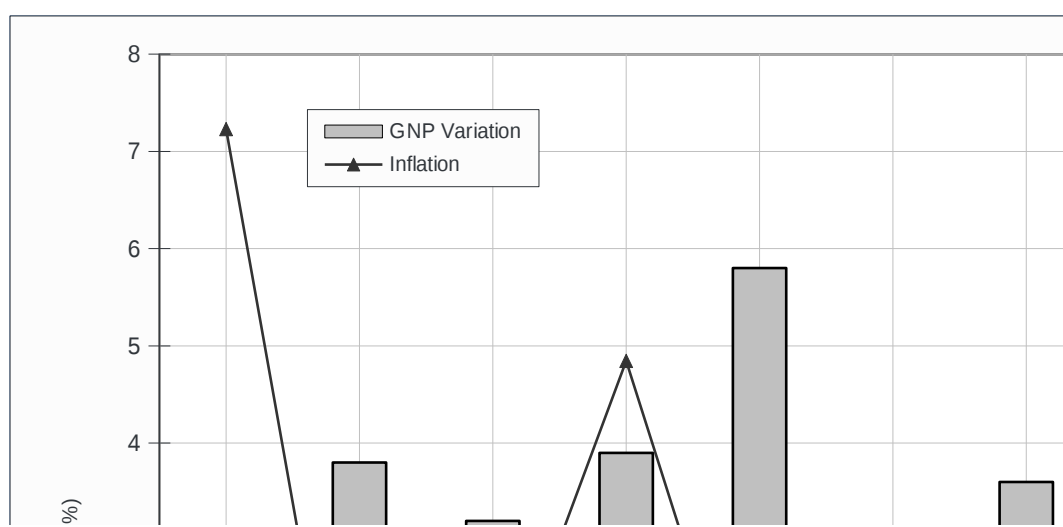
*based on data from the governmental agencies, except Brazil

(1) Hidden unemployment is included, (2) metropolitan areas, (3) First quarter.

Note: Due to the methodological differences, it has to be considered just as reference

Source: Elaborated by the author with data from the Comisión Económica para América Latina (Economic Commission for Latin America, CEPAL, 2000) and from the Departamento Intersindical de Estudios Estadísticos and Socio-Econômicos (DIEESE, 2000b).

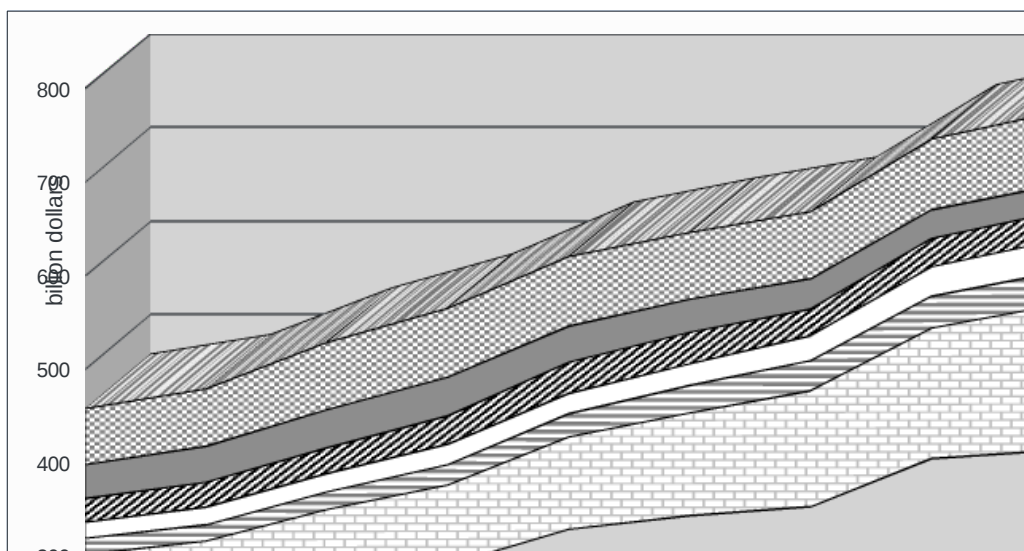
Table 2
Variation of the Latin America and Caribbean Inflation and GDP in the Nineties



³ According to CEPAL (2000), the number of homeless and poor people in Latin America increased from 143 million in 1980, to about 200 million in 1990 and 224 million in 1999.

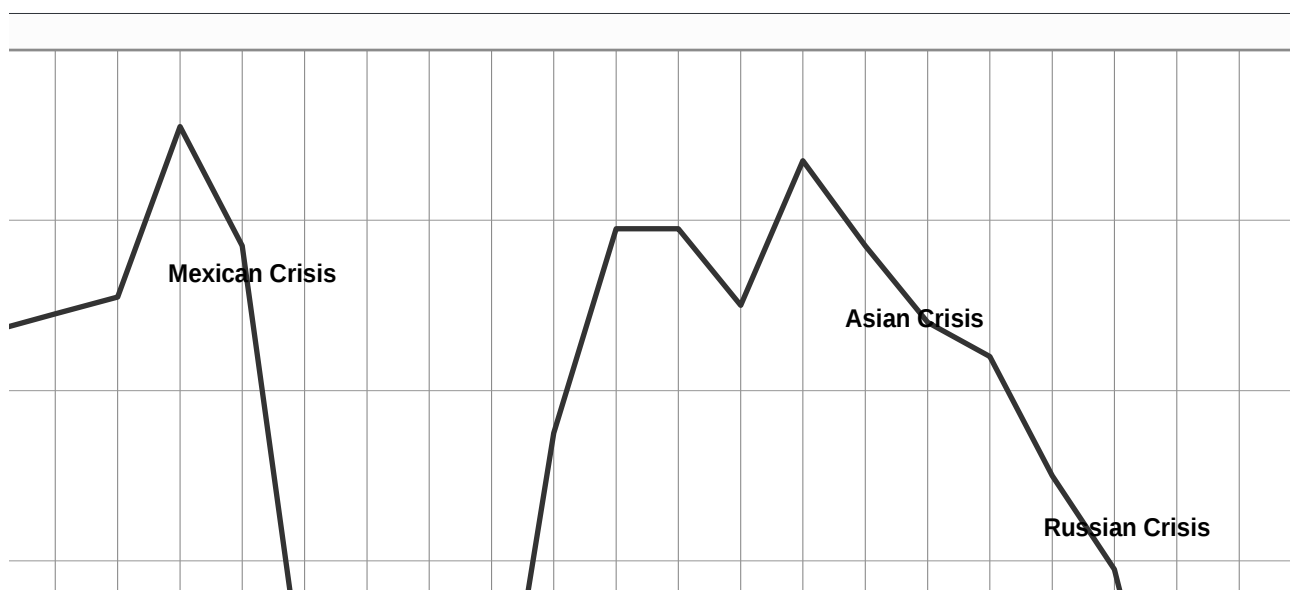
Include the debt of the public sector and private.
Source: CEPAL (2000)

Table 3
Evolution of the Gross External Debt of the Latin American Countries, 1990-1999



Include the debt of the public sector and private.
Source: Calculations by the author based on the data from the CEPAL (2000).

Table 4
The External Crisis and the Evolution of the Quarterly GDP
in Latin America and the Caribbean, 1994-2000



Source: Official figures according to CEPAL (2000)

Over the nineties Latin American countries started to suffer with the increase of the unemployment rates. With the increase in the competitiveness, the opening to imports, the industrial productivity profits added to the effects of the applied policies, the urban unemployment went through an overwhelming growth, as well as the precarious work in the streets, giving rise to diverse social and economic consequences.

One of the results of the economic restructuring was the growing financing of the economy, which meant the weakness of the local economies facing the international market imbalances. An example of this is the intensity of the influence of the crisis in Mexico, Russia and Asia, that punished the whole area (Table 4), provoking the capitals drain, deep economic imbalances and worsening of the social tensions. The stabilization policies based on the consumption restraint, that meant high interest rates and growing external capitals dependency, became the local economies attractive for the speculative capital, what contributes decisively in the instability increase in critical periods.

Restructuring and change in Brazil

Since the beginning of the eighties, the socioeconomic indices in Brazil were featured by the economic instability setting. In this decade the beginning of the aegis of the International Monetary Fund is observed in the application of contracting policies in the Brazilian economy. In the period after 1985, several stabilization plans were carried out. The first one was the so-called "Plan Cruzado" (1986), that meant a first economic stabilization experience. An economic policy stage of the Brazilian State was inaugurated that in a certain way was maintained until today with the so-called "Plan Real", whose essence would be to attempt to control the inflation combining it with economic opening measures, reform of the State, privatizations and tariffs sharp fall (Egler: 1998). With a similar sense, the "Bresser" (1987) and "Verano" (1989) plans were the following ones. The combination of rates of moderate positive growth in the middle of a period of instability has provoked the substantial increase of the inequality -with a poor proportion of 21% in the peak of the hyperinflation, in the second semester of 1989 (CEPAL: 1999, 172). The "Collor" plan (1990-91), name of the then president Fernando Collor de Mello, is elaborated by a government that had a political program of reformist and neoliberal content. This plan begins to go farther with the privatizations and liberalization process, what would be the tendency of the economic policy in the nineties. Showing a structural adjustment package, this plan carries out a wide commercial reform and opening to imports. At the same time one of its main measures was the confiscation of 80% of the deposits of the private financial sector and the salary restriction. It is also observed in the Collor plan the progressive increase in the speculative capital, attracted by the policy of high interest rates.

The result was the greatest recession in the Brazilian history. It is calculated that only in industry, between 1991 and 1992, a million of jobs were eliminated (Tavares: 1998, 101). The poor proportion almost was duplicated with regard to 1986, reaching 32%, what led to a worsening in the social tensions (CEPAL: 1999).

The previous employment levels to the 1990-92 recession were not recovered any more. On the other hand, the commercial opening to imports and the overvaluation of the national currency since 1994 gave rise to a deep impact in Brazilian industry, subjected to a large international exposure, after decades of protection of the domestic market. The result was that imports became from 3.3% of the GDP in 1985 to 10.6% of the GDP in 1995. At the same time, the industrial productivity increased in a 44% between 1991 and 1995 (Guedes and Natal: 1998). In this meantime, innovations in the labor organization, new production techniques and the industrial transport gave rise to the fact that the economic recovery periods did not match the employment levels recovery.

In 1994, with the elaboration of the Real plan - still prevailing - comes to deepen the commercial and financial release and to accomplish large privatizations. Conceived in the middle of the reforms accomplished by the previous plans and in the middle of the renegotiation of the external debt, the economic policy adopted by this plan was coherent with the one which already was being adopted in other developing countries, that advised liberalizations, fixed exchange rate and containment of consumptions as a way of high interest rates policy. The trend in the sequence of the application of the measures of the Real plan opted for an economy featured for being more international, open, more concentrated and reduced in inferior number of producers in various sectors, and with a high level of unemployment and low inflation

Low Inflation, High Unemployment

The Real plan had as a central point of sustentation the import from foreign imported products in the stage of a exchange of the dollar very low in order to regulate the price of the national products. The commercial opening - in force from 1990 -, was amplified in the application of the Real Plan, so that, in the combination with the valuation of the currency, provided the subsistence of the prices and, therefore, the inflationary control. To avoid the deterioration of the external accounts, unavoidable with such measures combination (Fligenspan: 2000), the Brazilian government fixed high types of interest to attract the capital foreign in short term. This, at the same time, ended in having repercussions at once on the increase of the service of the internal and external obligations, provoking a meaningful worsening of the public finances.

This direction of the economic policy provoked different consequences in the Brazilian productive sector, whose strongest consequences were observed in the job market and in the

revenue. If, on the one hand, the inflationary control was achieved, on the other hand was materialized due to the close of many companies, since the opening of the national market has forced the competition with the imported products, bringing the need of increasing the productivity of the local companies. The reduction of the market, brought by the international concurrence and the search for a greater competitiveness, caused that many companies had to drastically reduce their staff, which resulted in a not only a economic crisis, but also social. To have an idea of the dimension of the impact of the commercial opening to national industry, suffice it to say that the average of the aliquots of import tax, that was of 32.1% in 1990 was reduced gradually until a 13.1% in 1995. We should take into account that Brazil opened its economy without obtaining a counterpart from the developed countries and without having modernized its legislation by creating defenses and increasing its capacity of acting with the objective of restraining and reacting more quickly regarding the disloyal trade practiced by other nations, the *dumping* and subsidy practices (Macadar and Belo: 2000, 164-166). This had repercussions on the continuous and persistent increase of the unemployment rates, that it was the most dramatic consequence of the restructuring process.

The unemployment statistics show the dimension reached by this problem during the Real plan. Carried out monthly by the DIEESE (*Departamento Intersindical de Estudos Estatísticos e Socio-Econômicos*) in collaboration with the government and local institutions in different metropolitan regions, the *Pesquisa de Emprego e Desemprego* (Employment and Unemployment Survey) points out that the unemployment rates in the large urban centers grew a 13% average, in 1994 (beginning of Real plan), reaching a 20%, in 1999 -what means an increase of a 50% in the contingent of unemployed people in the period. The average time looking for a job in the city of Brasilia reached up to 52 weeks at the end of 1999, and for the Metropolitan Region of Sao Paulo 39 weeks (DIEESE: 1999). The impact of the unemployment in the stability and social order was not deeper due to the compensatory role of the informal sector.

Analyzing the macroeconomic indexes, the reforms of the nineties, especially during the Real plan, have meant a disaster due to the devastating effect for the health of the public accounts. The high interest rates pushed the national economy to a growing financing process, giving rise to an attraction pole for the speculative capital. The result was an increasingly larger volume of resource transfers for the private financial sector and an explosion of the internal and external debts. The maintenance of the stabilization policy based on high interest rates, has meant a transfer to the private investors of a figure equivalent to the 14% of the GDP in 1999, with regard to the title remunerations of the public debt (DIEESE: 2000a). The deficit in the current transactions -that represents the sum of the commercial and services balances- showed record figures. From US\$ 1.7 billion, in 1994, to around US\$ 35 billion, in 1998. The external debt of the country grew US\$ 105.5 billion between 1994 and 2000, reaching US\$ 250 billion. The basic interest rates of the

Central Bank were increased with the goal of containing the economic activity. In 1998 reached 26%. While the public sector paid about US\$ 72.5 billion of external debt interests, the public debt of the public sector was increased from US\$ 153 billion at the end of 1994 to over US\$ 400 billions in 1999 (DIEESE: 1999, 4-5). That policy has favored a systematical resources transfer from the public sector to the private financial sector and given rise to a permanent budgetary jeopardy situation, what has worsened the disability of the Brazilian State of promoting some sustainable and consistent public policy in order to encourage social development. With regard to the long privatizations process, started in 1991, this obtained a balance of 89 billion dollars⁴. This money was directed especially to the amortization and interest payments of the galloping public internal and external debt⁵.

In January 1999, the time bomb assembled in the nineties exploded, with the *crash* of the stock markets of Sao Paulo and Rio, which has given rise to the sudden currency devaluation against the dollar, from R\$ 1.21 to R\$ 2.06 in less than a month. In the attempt of containing the capitals drain, the government increased the basic interest rate to 49.5% per year. However, this measure has not succeeded. The collapse could be tempered with the emergency help from the IMF, making use of a credit of around 41.5 billion dollars.

If we evaluate the evolution of the State indebtedness, the architecture of the reforms carried out during the long economic restructuring process have resulted in a categorical failure, because in spite of the great economic and social effort, it has not been obtained to achieve their main objectives, that were to lighten the public accounts with the reduction of the debt and generate an economic development and the modernization of the country in an economic and social stability environment.

The dollarization of the economy gave rise to a huge increase in the cost of living and the loss of the power of purchase for the wage-earners. It was also observed a worsening of the social inequality and income concentration. In 1991 the difference between the stratum of the 20% richest and the stratum of the 20% poorest was a ratio of 20 times; in 2000 this difference was around 32 times.

Despite the fact that the country have carried out the economic opening, throughout the nineties, the action of the Brazilian exports facing the world exports gradually became more modest. A year before the beginning of the neoliberal reforms, that is, 1989, the participation of the Brazilian exports in the whole world exports was 1.18%, with the neoliberal reforms the 1990-1993 average

⁴ More than 11 billion dollars were paid with the so-called "rotten coins" -public debt papers. These were accepted for their face value, 40% over the value that they had in market.

⁵ According to Fligenspan, the Brazilian privatization, based on the denationalization of the productive chains and entrepreneurial readjustments, was a way out that replaced the problem in a not very long term, since the entering capital was invested in the services sector, "that does not generate solutions in a foreign currency, because it is not exporting, but makes profits and dividend remittances, consuming dollars. By this means the investments in the industrial sector offer the same imbalance risk in the external accounts, because the foreign companies work, usually, with greater quantities of imported components" (2000, 10).

showed a reduction of 0.95%. In 1999, the lowest level was reached, with just 0.84% of participation in the world exports. The variation observed in the period 1990-1999 means a reduction of 29% in the Brazilian participation. We can emphasize that Brazil is the ninth largest economy in the world, concentrating 2.7% of the world GDP. In that way the most coherent situation according to the neoliberal speech it would have been that Brazil, once the structural reforms had been carried out, obtained a greater participation in the international trade, according to its significance in the world setting. We can also mention that the productive restructuring of the exports has not given rise to an increase in their technological content, quite the opposite, the country became more dependent of the exports of patronized agricultural and industrialized commodities (Beluzzo: 1999, 5). While the Brazilian primary products had an increase in their exports, between 1990 and 1995, in 11%, the Brazil participation in the international market decreased due to the fall of the industrialized products participation.

The nineties in Brazil were featured by an economic plans succession that tried to stabilize the economy, contain the inflation and achieve more goals for the debt payment. The social cost of these plans has been very high; and the obtained benefits benefited a reduced section of the population. It is observed that the participation of the salary mass in the composition of the GDP was reduced from a 45% to 37%, while the profits increased their significance from 33% to 41% (Folha of S. Paulo: 2000). More seriously it was observed the notable increase of the unemployment, with the impoverishment of the low and middle classes of the population, especially in the medium-sized and big cities, that experienced a serious crisis in the last years due to the economic reforms and the competition with the imported products. This gave rise to an unprecedented social and economic crisis, with a meaningful worsening in the life conditions of the "less competitive" segments of the local population. Changes that even had spatial reflexes in the cities, with the clandestine occupation of areas not adapted to the urbanization and precarious housings construction.

The case of Porto Alegre

Placed in the most southern province of the country, Rio Grande do Sul, Porto Alegre occupies a strategic geographical position near the frontier with Argentina, Uruguay and Paraguay -member countries of the Common Market of the South Cone (MERCOSUR). This is the fourth biggest metropolis of Brazil and has a preeminent role as economic, political and social central point of connection between Brazil and the other member countries of the MERCOSUR.

The economic activities that more income generate in the city of Porto Alegre are related to the trade sectors and services. In the whole Metropolitan Region of Porto Alegre, industry also has a

large significance, since it generates 47.6% of the income of the sector in the State (PPA: 2000, 13-14). Its main industrial complexes are related to the chemical, metal-mechanical and leather-shoe sectors.

Just like in the rest of Brazil, industry in Porto Alegre has begun to reduce its labor force since the beginning of the nineties. In Porto Alegre, the transformation industry went from 74,294 jobs in 1990 to 44,583 in 1999, what means a loss of a 40% of jobs (Dupas: 1999, 125-126; DIEESE: 2000a). As we have mentioned before, the drastic commercial and financial opening promoted throughout the nineties under the IMF control, materialized through packages of economic stabilization measures, favored the invasion of the local market with foreign products. The high interest rates gave rise to a greater difficulty in the credits captivation by local industries, which also damaged the modernization of the production and investment lines with a view to increase the competitiveness facing the imported commodities invasion. This change also helped decisively to the loss of the competitiveness in the prices of the local products in the external market. All these factors gave rise to a massive loss of jobs in the industrial sector, which forced to a substantive part of the workers to migrate to the tertiary sector.

Local Crisis

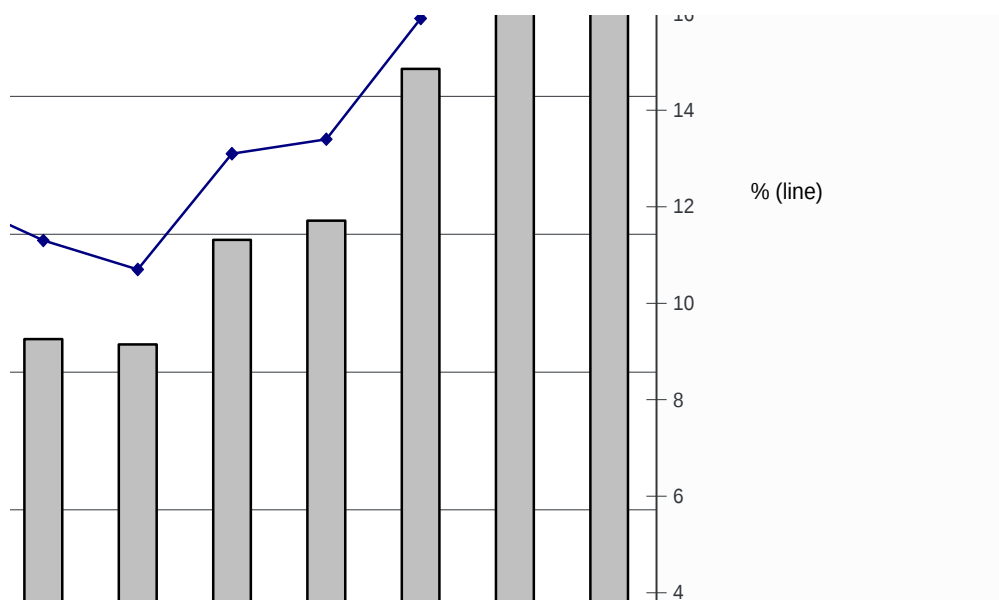
The high selectivity in the formal labor market began to hinder the possibility of the fact that the less qualified workers found a job in it. A lot of workers started to practice informal activities with a high precariousness, which gave rise to a deterioration in the life condition of middle-classes and the poverty increase in the segments with a low educational level. The result was a strong impact in the social structure due to the increase of the unemployment, the fall of the wages and the precariousness of the labor relations and the consequent worsening of the life conditions. We can say that throughout the nineties, the non-formal activities were responsible of one out of every four new jobs generated in Rio Grande do Sul. It is estimated that 334,000 workers were incorporated into that segment.

The informality level in the urban zones of the large cities of Brazil -defined according the workers occupy as autonomous, without formal links or working for the self-consumption- according to estimates from the Institute of Industrious Economic Inquiries (IPEA), reaches a 49% of the labor force (IPEA: 2000). In Porto Alegre, this figure is about 27%. In spite of being lower than in other Brazilian capitals, the proportion of the autonomous workers and wage-earners without legal link, working in the informal economy in Porto Alegre grew in the last decade a 2.7% average per year, showing an total growth of 22.6% of the workers quota in this situation (PPA: 2000, 54). Between 1993-1999, the total of unemployed people grew an 88.1%, which means 331,000 people. In 1999, the unemployment rate in the Metropolitan Region of Porto Alegre reached its peak,

reaching the rate of 19% -facing the 11.3% in the beginning of the Real Plan-, fact which affected more to the surrounding towns of the metropolitan ring, where there is a larger quota of workers with low qualification, than to the city of Porto Alegre. Another complicating factor was the expansion of the labor market. This had a growth in the same period of 20.4% of the population economically active.

The new jobs in the labor market during the nineties are mainly in the tertiary sector and autonomous work. Especially in the sectors that are connected to economic activities related to the most precarious labor conditions. While the sector that shows the highest expressiveness of the wage-earning employment -industry- experienced a constant retraction (NET/PED: 2000).

Table 5
Evolution of the Unemployment Rate and Absolute Number of Unemployed in the Metropolitan Region of Porto Alegre, 1992-2000
(thousands of workers and percentages, annual averages)



Source: Calculations by the author based on the data from the Employment and Unemployment Inquiry (PED) of the Fundación de Estudios Económicos (Economic Studies Foundation)- FEE (FEE/DIEESE: 2001).

Another observed consequence, in relation to the impact of the crisis in the labor market, was the increase in the precocious work. This results from the relation between the families poverty, that leads them to seek a way of complementing their income through children under age occupation, and the structure of the Brazilian labor market, that gives rise to insertion spaces for this labor force (Cervini and Fausto: 1992). One of the main ways of children and teenagers occupation in the labor market is the informal work, in small production units, in the domestic work or even in the streets of the cities. On the other hand, the low educational level implies generally the

underemployment⁶ and, therefore, low labor profits and reproduction of the poverty. In a research carried out in six capital cities -including Porto Alegre- DIEESE stated that most of the working children comes from structured families and that, in more than 70% of the cases, the father as well as the mother worked. However, their progenitors had very low profits, confirming that the main reason of the precocious work is the income inequality and the poverty in a meaningful number of the Brazilian families (DIEESE: 1997). According to the data from the *Pesquisa Nacional de Amostra por Domicílios* (National Research of Household Sample)-PNAD of the Brazilian Geography and Statistics Institute (IBGE: 2000), in the Metropolitan Region of Porto Alegre, 26,000 children between 10 to 14 were working or unemployed, what means an 8.15% of the population in this age-group. Among teenagers between 15 to 17, 84,000 were part of the economically active population, the equivalent to a 42.5% of the population in this age-group.

The absence of perspectives for a meaningful youth layer in Porto Alegre, especially those coming from the lowest levels of the population, associated with the lack of adequate means for education, work, leisure and health had repercussions on the violent behavior and criminality increase⁷. We can mentioned that the youngest workers –up to 24- were the most affected by the crisis of the nineties, with a loss of 156,000 jobs in the Metropolitan Region of Porto Alegre. According to studies from the Studies Center of the Work (NET/PED, 2000), the segment between 18 and 24 was which suffered the most drastic suppression of jobs, with a negative variation of 22.4% between 1989 and 1997 -or 91,000 posts -, and a relative reduction in the participation in the labor market from the 21.7% to 18%.

Due to these changes, the Metropolitan Region of Porto Alegre began to suffer with the increase in the poverty, the social exclusion, with the increase in the inequalities and social polarization. In this way it was observed the degradation of the central zones and the peripheral neighborhoods inhabited by the lowest social classes; the emergence of over-protected areas -habitat of the most privileged segments-, fenced by private safety bodies, similarly to the modern malls emergence, appropriate places for the safe enjoyment of the high classes. Associated with the absence of economic alternatives for the population of the lower classes and with the omission of

⁶ According to the *Relatório do Desenvolvimento Humano no Brasil 1996* (PNUD/IPEA: 1996), the education is an investment that only provides benefits in a long term, while the costs fall on the families in a short term. The poverty of a meaningful part of the Brazilian population, that have neither credits nor savings, is an impeditive factor for carrying out this investment. In the same way, the needed time for the education acquisition is one of the main components of its cost. The decision of studying has as its compensation the decision of working, due to the difficulty of making compatible the two activities.

⁷ In 1997, 4,057 crimes were registered in the city of Porto Alegre. In 1999 they arrived to 4,614. In 1998, from 303 homicides occurred in Porto Alegre, a 55.4% were committed by young male people between 15 and 29. It is estimated that most of the thefts and robberies are committed by young people, frequently under drugs effect (PPA: 2000, 239 and 369). According to IBGE survey, the deaths by violent causes represent 75% of the adolescent deaths between 15 to 19, most of them consists of young and infant male homicides. The violence is associated in this survey with the poverty in which 24 million of children and adolescent live, whose families have a per capita income average of half minimal salary per month (US\$ 44). In a family with four people, this means a monthly income of R\$ 272 (US\$ 150) (Jornal da Tarde: 1999).

the State -at the same time reduced and with a smaller action in the social area- this gave rise to a greater urban and social fragmentation.

One of the clearest evidence of the impoverishment occurred throughout the nineties was the increase and emergence of sub-housings, that are precarious housings and illegal occupations of public and private zones in the large urban centers. In Porto Alegre, the increase of the prices in the lands located in areas properly served of infrastructure and urban equipment gave rise to the non-sustainable occupation of protected or improper areas by the population with lower purchasing power -as well as the absence of a national housing policy. Meaningful parts of these lands in the Metropolitan Region of Porto Alegre are located in risky zones, with precarious conditions of habitability, causing an irreversible degradation of the natural environments. The population of these zones invariably has a very low quality of life, lacking of public service and suffering the urban equipment insufficiency.

According to Table 6, in the city of Porto Alegre there was a remarkable increase of the percentage of citizens living in improper housings and/or illegal areas. The most significant increase was observed throughout the nineties. In the survey carried out in 1991 by the IBGE, the population living in this situation meant a 7.9%. In another study carried out between 1996-98 by the Prefecture of Porto Alegre (PPA/DMH: 1999), was verified that there are more than 73,000 residences in 390 centers and irregular villas, constituting the 17.6% of the total of residences in the city. It is calculated that, with an average of 3.9 people by housing, the population living in centers and irregular villas was 284,922 inhabitants, in 1998, which means 22.11% of the population living in such conditions⁸.

⁸ According to the Municipal Planning Secretariat of Porto Alegre (SPM/PA: 2001, 6), the legal housing units have an average of 89,22m², while the "informal" residences have an average of 38,50m². According to the Census carried out, 52% of the irregular housings in Porto Alegre do not have sewer systems, 9% do not have connection with the electrical network and other 9% do not have access to purified water.

Table 6

Evolution of the Population Living in Irregular and Precarious Housings in Porto Alegre



Source: Elaborated by the author based on data from the Municipal Housing Department/Porto Alegre Prefecture and IBGE (cf. PPA: 1999).

According to the survey carried out by the Porto Alegre Prefecture, the rural-urban migrations play a smaller role in the explanation of the increase in the irregular centers and villas -since the population has grown in the last years in lower rates to 2% per year. One of the main causes in the increase in the irregular occupations with regard to the centers and villas would be the self-reproduction of the misery, the "tin neighborhoods". Another one would be the high unemployment and the reduction of the purchasing power in the lower classes of the society. The poverty and social exclusion involve the voluntary place movement of the population that until then was inhabiting the "regular city", formal, to the "informal" city, irregular, through the occupation/invasion resource of the public or private areas. This place comes from the non-owners, from tenants who no longer have any more conditions to spend a 25-60% of the familiar income on the rent payment (PPA/DMH, 1999).

The illegal occupations and the growth of the sub-housings not only show a residence crisis in Porto Alegre (Panizzi: 1993; Bonin: 1993) but they also evidence one more side of the consequences of an excluding economic model. The absence of viable economic alternatives for a decent survival, the misery and exclusion became vectors roles for the social segregation that is observed in the urban space of Porto Alegre and its Metropolitan Region.

The local government has been continually widening the public investments in areas of social interest since beginning of the decade. In 1990, the Porto Alegre Town Hall spent 45 billion dollars (at the February 2001 exchange rate) on the whole Education, Health, Welfare and Popular Housing areas. In 1999 these four areas involved an expense of around US\$ 170 billion of the

municipal budget (PPA: 2000). This means a real increase of 298.8% in the investments in the social area -result of a readjustment of resources from other areas, in parallel to rigid measures of tax control. In spite of the growing investments and efforts of the local government in seeking viable alternatives to the crisis, this has had its action limited by insuperable limits, once many of the undesirable effects of the economic restructuring process have had the origin out of its space of control, associated in part with current and structural phenomena.

If we base on the mentioned data, in Porto Alegre and its metropolitan region is observed a clear direct association between the global-local spheres. The central point of this association is on the interdependence observed in the economic dimension. In this context, the changes identified with the neoliberal economic restructuring in the nineties in Brazil gave rise to a fertile field for the transmission of the external instabilities that generated meaningful impacts in the local environments. We are thinking about the influence of the crisis occurred in the periphery; the higher dependency of the local economy to the thermometer of the stock market and fluctuations of the market; and the impact of the measures agreed to the IMF for the normalization of the debt payment and economic stabilization through the economic adjustment packages, such as the Collor Plan and the Real Plan.

Both economic stabilization plans meant a strong impact in the Porto Alegre and national productive sector, giving rise to years of economic recession and serious consequences to the society. It was in this transformation environment that the economic restructuring assumed wider dimensions, with relevant implications in the labor market and social life. So a remarkable suppression of jobs was observed in the industrial sectors, while the local economy was unable to create alternatives to limit the advance of the unemployment.

Conclusion

In this paper we have analyzed from the Brazilian reality and taking the Metropolitan Region of Porto Alegre as example, how the changes occurred in the global space, stimulated by the economic restructuring, affect to the local environments. The application of the neoliberal economic reforms opened a large field so that the external economic and political actors expanded increasingly their domination to the *local*. Gradually, the local decision processes became permeable to the influence of the decisions taken in the external area, which meant, in consequence, the loss of the efficiency in their management and internal control mechanisms and erosion of the capacity of local public policies implementation.

In spite of the high social costs, the reforms achieved neither to improve the local socioeconomic framework, nor -if we carry out a strict analysis in the economic aspect- to stabilize the economies. On the contrary, the adjustment policies adopted under the IMF supervision in the

nineties gave rise to a worsening of the economic situation and aggravation of the social framework, giving rise to a greater external economic and financial dependency. The neoliberal restructuring in the decade, weakening the action capacity of the State facing to the global actors, gave rise to a political gap between the local environments and the global decision spheres. As a result, it was observed the growing vulnerability of the local economies facing the oscillations of the international markets and expectations of the investors, configuring a table of fragility and permanent risk facing the regional crisis. The changes in the Brazilian economy, guided according to this perspective of insertion in the global economy, meant a wrong answer to the present globalization, whose impacts were felt in the whole country, locally more stressed in the medium and large cities, with a painful productive restructuring that gave rise to an increase in the unemployment and an increase of the social tensions.

In the Porto Alegre case, the changes in the external sphere were translated concretely in several aspects of the local life: in the remarkable increase in the unemployment levels; in the growth of the informal economic activities of high precariousness; in the worsening of the housing conditions and the growth of the sub-housing in the less favored classes of the population; in the worsening of the life condition of the middle classes and the increase in the poverty in the segments with a low educational level; in the increase of the isolation and social exclusion, as well as in the criminality rates. It was observed, in parallel, the development of survival strategies of population, like the precarious work, the illegal land occupations for housings construction, and even the phenomenon of the precocious work -as a way of complementing the familiar income.

The Brazilian case is an example of how the developing countries, that are not in the economic epicenter of the decision-making process, face the growing loss of the coordinating and regulatory capacity of the State, having basically to seek alternatives in order to be adapted to an imposed reality in constant change. Maintaining the capacity of organization and management of its social, political and economic space, avoiding the undesirable impacts and effects related to the processes that are favored from the actors action with global link or under the intrinsic mechanisms of the complex interdependence that the integration of the markets provides, becomes, therefore, the largest challenge to be faced.

The socioeconomic changes in the nineties observed in the big Brazilian cities are the result not only of relevant components –such as the misfortunes observed in the Brazilian economy, with its unsuccessful "adjustment packages"-, but also, and increasingly, of strong *structural* determining factors. It was demonstrated that the dynamics of the current globalization, with regard to the opportunities generation and the control of the capital, merchandise and technology flows, plays a significant role. From this interpretation, due to its meaningful structural components, the malfunctions of the globalization increasingly tend to overcome the capacity of (re)action of the local agents, being necessary to agree coordinated actuation ways among the different management

levels toward the global plan in order to establish safeguards for the populations of the less privileged zones –so not to say marginalized- of the immense *global network*. It is also essential the need of carrying out a reflection and a review of the principles that guide the application of public policies perfected with the globalization *neoliberal approach*, once the maintenance of the current trends there is no evidence of the fact that its dynamic of development could show viable answers for the demands of the local environments in the developing countries.

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