

# Mending Brazil's Megacity

*For the first time in history, a majority of the world's population now lives in cities. In the developing world, the names of vast new megacities—Dhaka, Lagos, Calcutta, Jakarta—are synonymous with human misery. But São Paulo is seeking to show that a megacity can work.*

BY NORMAN GALL

SÃO PAULO IS A GREAT CITY, BUT NOT A BEAUTIFUL city. The soot-darkened buildings of its old business center resist all claims of glamour or novelty. Its periphery is an oceanic sprawl, bursting with gaudy commerce and neighborhoods where many thousands of shacks have become, within a generation, sturdy but nondescript houses of brick and concrete. Its residents are

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regularly shocked by corruption, prison revolts, failing public education, truck hijackings, armed robberies, and murders at traffic lights. The author-journalist Roberto Pompeu de Toledo described São Paulo as “frightening, giddy, tentacular. São Paulo does not inspire admiration in a benign or gentle way. It provokes amazement in a way that admiration becomes fear, a consequence of its enormity, its omnipresent sense of urgency, its disturbing awareness of being in an urban labyrinth that reaches toward the infinite.”



**A view of central São Paulo, a vast area around the old downtown and one of several districts where skyscrapers have sprouted in the past few decades.**

Yet for all that, São Paulo is a complicated, qualified success. Because of the dynamism and diversity of its economy, and despite its many contradictions, it now may be the most successful “megacity” in the developing world.

The city has benefitted enormously from positive changes in Brazil as a whole for which it can claim little responsibility: the consolidation of Brazilian democracy since 1985; the country’s subsequent opening to the world economy; the end of decades of chronic inflation under the Brazilian government’s Real Plan, launched in 1994 (and

named for the national unit of currency); and a reduction in the influx of uneducated rural migrants. São Paulo has made strides toward subduing crime, easing poverty, and creating opportunities for its people. But now the city has reached a point where it must learn to govern itself if it is to move ahead. Even its blessings—its vitality and dynamism—threaten to become curses.

In recent decades São Paulo has become a multicentered metropolis, akin to Los Angeles, Houston, and Atlanta, with new hubs independent of the old business

core and a new generation of spectacular office towers, luxury apartment buildings, and shopping malls. The frantic paving of streets, the opening of new traffic arteries, and the continuous addition of tunnels and cloverleaves cannot keep up with the proliferation of motor vehicles, whose number has soared from one million in 1980 to nearly six million today. Some 20,000 new cars, trucks, buses, and motorcycles are licensed every month. Because there are few maps of the city's underground infrastructure, work gangs frequently drill into gas, power, sewage, and water lines, causing poisonous gas leaks, blackouts, explosions, and flooding. On the periphery of the metropolis, where poor migrants from the countryside swarmed in the decades after 1950, acres of precarious shacks, erected on the banks of reservoirs and on other land supposedly protected by environmental laws, have evolved into vibrant if amorphous communities, studded with supermarkets, schools, bus terminals, and hospitals, as well as thousands of small businesses, linked to the city's core by crowded motorways.

The population of Greater São Paulo, which now embraces 39 municipalities, has mushroomed from only 31,000 in 1870 to some 20 million today, growing by 4.8 percent yearly, perhaps the fastest long-term rate of big-city growth in human experience. According to United Nations estimates, São Paulo is virtually tied with New York, Mexico City, Seoul, and Mumbai (Bombay) for second place in population among the world's giant cities, the five of them far behind Tokyo, with its 35 million people. The global total of "megacities," defined as cities with populations of 10 million or more, grew from two (Tokyo and New York) in 1950 to 20 in 2005. As a result of rapid urbanization in the late 20th century, more than half of the world's 20 biggest cities now lie in poorer countries, with more sure to come. Their progress and consolidation are being severely tested, just as in the fast-growing cities of the past.

Some historical perspective is helpful. Between 1700 and 1800, London's population doubled, from 550,000 to 1.1 million, causing surges of crime and chaos in local government. London's growth rate was a fraction of what São



Guns drawn, two military policemen patrol one of São Paulo's sprawling slums. Law enforcement is marginal in many areas, and is hampered by the fact that São Paulo has two separate police forces. But, like New Yorkers in the 1990s, many Paulistanos have become fed up with crime and are demanding change.

Paulo and other megacities in the developing world have experienced. Government corruption in 18th-century London was at least as rampant as what one sees in São Paulo today. Crime was widespread and law enforcement and other essential municipal services were painfully slow to develop. London was swept by terrifying epidemics of smallpox and other diseases, a fate spared São Paulo by better nutrition and public health efforts.

São Paulo's population growth has been fed by migrants from all over the world: Italians, Portuguese, Spaniards, Japanese, Poles, Germans, Russians, Ukrainians, Lebanese, Koreans, Bolivians, and Chinese, as well as waves of poorly educated but ambitious people from backward regions of Brazil and other Latin American countries. Generally speaking, the foreign-born newcomers have quickly learned Portuguese and avoided ethnic frictions, though they remain vulnerable to lure of criminality and other snares of poverty.

São Paulo is now often classified by urban specialists as a "world city" or "global city," linked to a handful of others in Asia, North America, Europe, and Africa in what the Organization for Economic Cooperation and Development has called "a common market of metropolitan economies" that transcends national borders. Trade, financial flows, and connectivity are important, but most "world cities" are shaped by peculiar historical forces. All must manage a legacy of poverty and inequity, and São Paulo has fared better than most. Its history as an industrial city goes back more than a century, but unlike Detroit, Gdansk, and other depressed cities it has held on to most of its industries while diversifying its economy.

**T**he village of São Paulo de Piratininga was founded in 1554 by Jesuit missionaries seeking to convert Indians to the Roman Catholic faith. The village lay at the rim of Brazil's great Central Plateau beside the Tietê River, which Portuguese *bandeirantes* used as a route to penetrate the continental interior in their hunt for gold and native slaves. Over the course of five centuries, the flood-prone village of

thatched huts underwent a series of metamorphoses. The village became a town, the town became a city, and the city became a metropolis.

São Paulo remained a primitive place until the coffee boom of the late 19th century, when it became the main supply and trading center and railroad hub serving the expanding plantations of the interior. In the 20th century, it developed into an industrial powerhouse. Its rise began during World War I and the years soon after, with immigrant manufacturers, mainly

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Italians, producing bulk and consumption goods too unwieldy and expensive to import: tiles, cement, nails, lumber, plate glass, beer and soft drinks and their bottles, shoes, boilers, coarse textiles, flour, pots and pans, etc. In the 1950s, when the Brazilian government implemented a policy of import substitution, promoting industrialization in order to curb dependence on foreign goods, São Paulo became the center of a new auto industry, as Volkswagen, General Motors, and Ford, as well as many parts manufacturers, built plants.

Building upon its existing industrial base, São Paulo has since expanded its range of specialized and creative strengths to become South America's leading center of corporate management, engineering, legal and financial services, trading and logistics, marketing, publishing, design, advertising, and software production. The worldwide ethanol boom is adding to the city's winnings, enlarging its role as the entrepreneurial hub of a vast hinterland of agribusinesses—producing sugar, soybeans, oranges, corn, cotton, cattle, and other commodities—that makes Brazil the world leader in ethanol development. São Paulo serves as South American headquarters for most blue-chip U.S. and European multinationals and as the decision-making center for 40 percent of the 500 biggest Brazilian companies, as well as most of Brazil's largest

banks. São Paulo's stock exchange, the Bovespa, once derided as a casino for insiders, has cleaned up its act and now attracts huge volumes of foreign money. Share prices have quadrupled since 2002, corrected for inflation, rising twice as fast as those of the Shanghai stock exchange. Yale economist Robert J. Shiller,

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author of the best-selling *Irrational Exuberance* (2000), wrote after a recent visit to São Paulo that "there are reasons to believe that Brazilians might be rationally exuberant."

São Paulo added to its economic preeminence a new role as Brazil's cultural capital beginning in the 1960s, when the federal government departed from Rio de Janeiro to the new inland capital of Brasília, sapping the great port city of vitality. São Paulo today is a city of theaters, art galleries, museums, and nightspots for jazz and Brazilian popular music. An elegant old railroad station was remodeled during the late 1990s into the Sala São Paulo, which houses an excellent symphony orchestra and is acclaimed as one of the world's finest concert halls.

São Paulo's rich entertain themselves at the city's multiplying world-class restaurants, galleries, and boutiques. Tiffany, Louis Vuitton, and other high-end vendors have opened shops in order to capitalize on a luxury goods market that grew by 32 percent in 2006. But the wealthy seek refuge from the city's perils and inconveniences in an expensive infrastructure of armored cars, bodyguards, and protected condominiums. The very rich take to the air—São Paulo has the world's second-largest fleet of helicopters, outdone only by New York. The rich, and many others, fear violence, but it is mainly the poor who suffer its effects.

Last year on a weekend in May, the entire city was stricken with fear by a powerful prison gang called Primeiro Comando da Capital, which controls a vast

criminal network reaching into the slums. The PCC reacted to a sudden transfer of its imprisoned leaders to a more secure jail by ordering a revolt by inmates in 73 prisons in tandem with an urban guerrilla offensive. Its members in the metropolis responded by burning buses, banks, and public buildings and murdering policemen in hit-and-run attacks. The police responded by killing more than 100 people, several of them found later to be innocent.

Obscured by horror stories such as the PCC attack is São Paulo's progress in reducing crime. In

the first half of the 1990s, homicide was the main cause of death of children between ages 10 and 14. São Paulo's periphery was known as a kind of Wild West, a squatters' zone where everything was up for grabs and government authority was ineffective or simply absent. The murder rate was a cocktail brewed by population density, drugs, alcohol, short tempers, and widespread possession of firearms. Since 1999, however, the number of killings has dropped by more than 50 percent, to levels still above what may be called civilized but nevertheless following the dramatic downward curve in murders experienced by New York City during the 1990s.

Organized social movements, an aroused public fed up with violence, and action by city authorities account for a good share of the improvement. But longer-term trends working in favor of the poor made a significant difference. As the benefits of democratic stability and low inflation gradually emerged, public investment flowed into schools, health posts, waterworks, the electricity infrastructure, and sewage treatment. Few streets on São Paulo's periphery today lack paving and lighting. Primitivism and violence in outlying areas are giving way to rising living standards and to consolidation of communities and institutions.

Cash incomes of poorer people have risen, aided by the reduction of inflation after 1994, which has made life more predictable, stopped the erosion of salaries, and made possible the accumulation of savings. Those

savings can be invested in improving homes and opening small shops. The official unemployment rate is 11 percent, but that number doesn't capture the complex reality of a city in which roughly half of all workers remain in the informal economy.

As an indicator of the improvement in human welfare, the infant mortality rate in São Paulo has plunged from 51 per 1,000 live births in 1980 to 12 today. Since the late 1970s, the share of population served by piped water has expanded from 50 percent to 99 percent, while the sewage network has grown to reach 88 percent of homes, against only 39 percent in 1978. Nearly all families now have refrigerators and televisions, and more than 60 percent of homes have washing machines, compared with 46 percent in 1992.

**M**uch of São Paulo's story can be seen in microcosm in the suburban municipality of Diadema, where my organization, the Fernand Braudel Institute of World Economics, recently conducted monthly forums on public security with citizens' groups, local officials, and police chiefs. Between 1950 and 1980, Diadema's population grew at an average annual rate of 16 percent, three times as fast as that of metropolitan São Paulo, thanks to the migration of poor people from all over Brazil, lured by jobs in the auto industry and related businesses. One of the migrants was Brazil's current president, Luiz Inácio Lula da Silva, whose left-wing Workers Party won its first election in Diadema in 1982 and has subsequently run the local government most of the time since.

The three decades after 1950 brought fevered construction and disorder on São Paulo's outskirts. Wooden shacks and crude houses of hollow brick formed a densely packed jumble on Diadema's hilly terrain, where conflicts constantly erupted, often settled by hired killers called *justiceiros*. At the entrance to two bakeries in an area called Jardim Campanário, macabre lists were scrawled on rough signs that announced the names of those to be murdered in coming days. Graffiti bearing the names of those marked for murder also appeared on walls along Jardim Campanário's streets.

In 1999 Diadema recorded one of the world's highest homicide rates, 141 per 100,000 population. But

murders dropped by 80 percent over the next seven years. More and better policing and greater efforts to confiscate unregistered weapons partly explain the big decline in violence. But there were deeper causes as well. One was a rise in incomes and the expansion of commerce at all levels, seen in the blossoming of new supermarkets, street vending, small neighborhood repair shops, and even home-based bakeries where women sold candy and cake. The people who capitalized on these economic opportunities became stakeholders in the cause of peace and stability. The fact that more young people between ages 15 and 25 are in school and off the streets, notwithstanding the poor quality of teaching, also helps to explain the decline in homicides (as well as teenage pregnancies).

One of the success stories belongs to Reni Adriano Batista, 25, who came to Diadema with his family from the rural state of Minas Gerais in 1990. "I didn't know what . . . a city was. I thought São Paulo was a place for rich people where I could study beyond the fourth grade and where we could have TVs, fridges, and cars," he says. "We plunged immediately into a struggle for survival. We lived in a noisy shack that was so crowded that I had no place to study, so I read by the light of our kitchen stove while the family was asleep. For me and my friends, São Paulo was a place to dream of new professions: doctors, journalists, engineers. For some of us, this is beginning to happen." Batista is now a philosophy student at São Paulo's Catholic University.

**O**ne should not exaggerate the progress in Diadema. Its broad and prosperous-seeming central avenues, with bus terminals, supermarkets, fast-food restaurants, and automobile distributorships, mask continuing poverty. The average monthly income of heads of households in Diadema in 2000 was half the average for the municipality of São Paulo. Yet Diadema's example shows that serious crime can be reduced fairly quickly when new community interests combine with more effective action by local authorities. In Diadema, poor people developed a stake in stability through a more accessible political structure, stronger public institutions, and the expansion of commerce, which denied space to



Street vendors and small shops have multiplied thanks to Brazil's growing economy, creating a new generation of entrepreneurs with a stake in stability.

criminal activity. Four decades after the start of the migratory surge, Diadema no longer is a city trapped in a downward spiral of apparently insoluble crises. Instead, it is showing the strength of democracy and is engaged in the process of civilization.

In Brazil, as in many other countries, public education is the main instrument for achieving social justice. But São Paulo has a long history of educational neglect. "Differences will widen if there's no improvement in education," says Francisco Vidal Luna, an economic historian who is São Paulo's planning secretary. "Hunger here is no longer an issue, but poor people lack opportunities, and there are few opportunities without better schools. São Paulo operates one of the world's largest school systems, but we don't even have a uniform curriculum, so there's little coherent teaching, and teachers are absent much of the time. It's no wonder we do so badly on standard tests."

Despite impressive growth in enrollments in the recent past, the public schools of São Paulo operate within a culture of failure that pervades public edu-

cation in almost all of Latin America. In 1980, only 38 percent of children in Diadema finished four years of schooling, and only eight percent completed eight years. Today primary schooling is nearly universal, as in the rest of Brazil. Secondary education has expanded rapidly, but one-third of adolescents still remain outside the classroom. The main problem, however, is the low quality of teaching. Until recently, there was little popular pressure to improve public education and a general indifference to the issue on the part of the political class. The system has not collapsed entirely because the public demands some kind of schooling and because the education system provides an abundant source of jobs and pensions for teachers and administrators, who in turn provide a useful bloc of votes for political elites.

But now there are opportunities for change. They have been created because school enrollments are no longer expanding rapidly, thanks mainly to declining fertility rates and lower rates of migration to São Paulo. In March, Brazil's federal government an-

nounced a broad program of reforms in public education, including literacy testing for young children and minimum salaries for teachers, but much still depends on whether the political system can actually produce and implement such badly needed reform policies.

**D**espite its successes and great vitality, São Paulo is being challenged as never before by problems of scale and political disorganization. Demands for social justice—job opportunities, better schools, improved mass transportation, and other public services—are aggravating problems of scale and increasing pressure on the city's weak political institutions. Here, as in other megacities in the developing world, governance is a key issue.

São Paulo's colossal growth during the 20th century overwhelmed the city's capacity for institutional development and bred political disorganization and corruption. Paulo Maluf, twice mayor and once governor of the state of São Paulo, was indicted earlier this year for allegedly stealing \$11.6 million from a construction project. Maluf could not explain how he came to possess some \$900 million in offshore deposits in Switzerland and other financial havens.

Political representation in the city is as badly distorted as income distribution. All 55 members of the São Paulo City Council are elected at large, leaving each of them responsible not to specific local electorates but to the whole city of 11 million people. There is little incentive for them to deal in depth with the problems of specific neighborhoods and organizations. Between quadrennial elections, most council members concern themselves chiefly with raising money to finance their next citywide election campaign and wrestling for power within the incestuous political class. The system deters educated people, more capable of managing a complex metropolis, from entering politics at all. The problem is widely discussed, but

there is little prospect for change in the near future.

Confused and overlapping lines of political authority and inadequate resources also contribute to the city's failures. São Paulo differs from most of the world's other giant cities in that it is neither an imperial nor a national capital. Tokyo and Mexico City, for example, are national capitals with status as self-contained states within their countries' political structure. Both those cities receive generous transfers of funds from their national governments, while São Paulo transfers money to the federal treasury to support Brazil's poorer regions. The 11 million people of the municipality of São Paulo, less than six percent of Brazil's population, pay 28 percent of all Brazil's

**SÃO PAULO, A BENEFICIARY of good fortune, must seize control of its destiny if it is to avoid decay and disintegration.**

taxes. Even as the city sends a huge share of revenue to the state and federal governments, it also has the third-largest public budget in Brazil, smaller only than those of the federal government and the state of São Paulo. But local taxes are low for a metropolis of its size and unmet needs. São Paulo collects 2.5 percent of its gross product in municipal taxes, against the 5 percent that local governments in New York City and Tokyo take in. Because of low local taxation and meager transfers from the federal government, São Paulo lacks the public investment that usually benefits a political center. It depends, more and more, on its own skills and economic vitality.

Great cities have always been hard to manage. Like other complex systems, they grow spontaneously but then demand more management and investment if they are to avoid decay and disintegration. A time comes in the lives of big cities when the need for regulation and rational allocation of space, money, and other resources prevails over impulsive processes. For São Paulo, the beneficiary of so much good fortune, that time is now. ■