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Urban Social Policies at the Turn of the Millennium

Basic Document Prepared for the
International Conference of the
Network No. 5 „Urban Social Policies“
April 1999, Montevideo-Uruguay

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2

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Contents

I. Between globalisation and fragmentation: trends at the end of the 20th century, and their impact on cities

I.1. The impact of globalisation on cities and urban development

As we approach the 21st century, cities are home for more than 70% of the Latin American population and more than 80% of the European population. Cities foster welfare and the largest proportion of the national and international product is generated there. However, they also produce and suffer the largest proportion of the ecological and social imbalances in our economic system.

Political, economic, and technological conditions have drastically changed everywhere in the world over the last few decades and this will certainly remain so in the near future. The main factors giving rise to this evolution have been regional integration, globalisation of world markets, and new automation and information processing technologies.

In this scenario, all countries feel the need or the pressure to reform the public sector, as do municipalities. Local governments are faced with the challenge of showing that they are efficient as decision-makers, while giving a democratic content to decentralisation trends. They must offer companies favourable conditions for developing their activities while providing proper living and working conditions for citizens. Sometimes, these objectives appear mutually contradictory.

In the 19th century, economic life developed mostly at ports, plantations, factories and mines. In those days, cities used to operate as service areas and in general they developed beside and along with ports. Businesses required banking and commercial services for their city-based operations.

The economic foundations of the Fordist city were mass industrial production, a strong public sector, and full employment, accompanied by a broad social security network. Both the internal structure of cities and the relations between them were organised on the same hierarchical-centralist principle as factories. This structure has been characterised as a "central localities" system (*„zentrale Orte"*), consisting of localities organised into different hierarchical levels that are always subordinated to a nearby centre. The more extensive administrative duties and the mass consumption areas were concentrated in the core of the city.

The crisis in manufacturing industry – energy and intensive manual labour – and the ensuing de-industrialisation, which began together with the transportation and communication revolution in the 1970s, undermined the spatial distribution model of cities. As a consequence of the new "international distribution of labour", the production of some raw materials such as coal and steel ceased to be profitable in metropolises. Meanwhile, the progress of micro-electronics and telecommunications made it possible on the one hand to streamline production in cities and on the other to redefine the global management of compa-

nies. The resulting redundant labour has not been absorbed by the service sector, in spite of its dramatic growth.

At present, international trade is a fundamental factor in the world economy, but in terms both of profits and of its importance in the economy as a whole, international trade is overshadowed by international financial movements. The main scenario for these transactions is companies which provide highly developed services to other companies, banks, financial markets, and headquarters of transnational consortia. Together they form the axis of international trade, and are regularly based in cities (Sassen 1996, 29).[1]

The parent companies and the affiliates of consortia that operate world-wide are based in the centre of core and peripheral post-Fordist cities, but their activities are not carried out in the settlement area, i. e. in the city, but in a space of information flows. This is where centralised control takes place and where high-level managerial decisions are made about a network of factories, offices and marketing structures spread over a very broad geographical area. As a consequence of this kind of spatial concentration and the resulting explosion of real estate prices in the receiving cities, their central areas have additional difficulties in performing important functions (provisioning and housing, for instance) for a large part of the population.

Although headquarters of large consortia do not operate in cities, but worldwide, they cannot do without the framework provided by cities. They need the developed infrastructure that can be provided only by large cities, since they depend on a sufficient concentration of experts, direct airline connections and high speed trains for national and international travel, and on a telecommunications infrastructure. Control and management areas need a wide range of different services, such as legal, accounting, programming and marketing services. All of this requires a dynamic entrepreneurial and public environment, advanced institutional development, a new, highly developed infrastructure and an extremely dense network of communication equipment, which tends to be centrally placed in some cities.

Post-Fordist production plants are based in technology parks, while office buildings are in other cities and regions or in neighbouring localities which keep growing, because they cannot afford the high real estate prices in the city centre and are not in need of the services provided there. In the new big-city suburbs inhabited by experts and qualified workers, re-industrialisation is under way. Enterprises specialising in high technology, final assembly and automated production plants are set up there so as to take advantage of the proximity of the market and of the availability of specialist and highly trained labour.

Cities (or in general the different localities) have gained in importance with respect to another kind of spatial structure, that of nation states. The Fordist

[1] One of the factors that has shaped the role of cities in the new world economy is the change in the composition of international transactions. In the 1980s, direct investments abroad grew three times as much as exports of goods. Moreover, since the mid 1980s, most direct investments were channelled to the service sector, whereas before that date most of them had been geared to the manufacturing industry, and the exploitation of raw materials.

uniform hierarchy and the nation-state model of organisation are gradually being replaced by a tissue of small spaces with different social, cultural, and economic conditions.

The economy – now global – is still the main engine of urban development and is presently in the midst of a transformation process world-wide, with several triggering factors which mutually reinforce each other. The following are the main tendencies which impact on cities:

Growing international interrelations: Division of labour, dependency, competition and cooperation are increasing everywhere in the world. Typically, in international transnational consortia chains and business networks the R & D, production and marketing divisions may be based, for instance, in three different countries. Consequently, companies succeed in reducing their tax burden to a minimum, setting the prices of internal transactions to their own advantage so that it is virtually impossible to collect the amount of taxes needed to support a developed welfare state.

Transition to a service society: The structural transformation of sector distribution, which is more conspicuous in cities than in economic life in general, is noticeable not only in the growth of services intended for people's needs but most of all in those connected with production (for instance, financing, information processing and transfer, etc.), in knowledge-based industries, culture, and tourism.

Concentration and deconcentration: The present trends are two-fold: there is daily news of spectacular acquisitions and mergers, while on the other hand companies dispose of whole sections, with the resulting increase in new undertakings and establishments. Medium-sized and small enterprises are acquiring the most important role in terms of technological progress and employment rates. This process is accompanied by the establishing of cooperation networks between large companies and between small and medium-sized companies, and finally by the emergence of networks (Borjas/Castells 1997, 25). This flexible and dynamic, yet unstable, pattern of economic activity characterises the new organisation, management, and production processes (Piore/ Sabel 1984). The international economy features a flexible production model, with production being organised around a company network with a very diverse composition and geographical spread.

Computer Technology: The use of robotics in the production of goods is worth mentioning, as is the dissemination of networked computers with their different uses in offices and homes (teleworking, telebanking, teleshopping, etc.). The spread of both computers and data transmission are responsible for acceleration in our times, the consequences of which for urban development and town and country planning have not yet been the subject of an in-depth study.

The impact of these general tendencies on cities is a well-known subject of controversy. There can be few doubts that, in general, it will be very marked

and diverse and will take effect at a different pace and intensity, depending on the status of each city in its region and in the global system

I.2. The emergence of "global cities"

Being compelled by competition to move production, management and R & D to the most convenient places in terms of costs and of the availability of subsidies and resources (specialist labour, raw materials and capital), large consortia are undergoing deep restructuring. Along with the globalisation of the world economy, core functions[2] have accumulated in a few major localities which have achieved a key position in the international hierarchy of cities (Sassen, 1991), the so called "global cities".

Some years ago, international transactions consisted mainly of traffic in goods. Now, by contrast, governments have lost the capacity to manage and regulate because important organisational and service tasks are performed by specialist companies whose product is of a symbolic nature, i. e. information which flows along channels that are difficult to control (Sassen, 1996). The concentration of such tasks has become a strategic factor in the organisation of the global economy and is a feature of global cities such as New York, London, Tokyo, Paris and Amsterdam. The central areas of global cities therefore perform a two-fold task: first, they operate as post-industrial production centres for the leading current industries and for the financial and service industries; second, they act as a transnational market where companies and governments can supply and acquire financial means and special services.

Borja and Castells argue that the "global city" is not a particular city but a network: "The globalisation of the economy, and particularly of developed services which organise and manage the overall system, does not lead to a spatial spread of functions nor to the exclusive concentration of key functions in a few metropolitan areas. The global city is not New York, or London, or Tokyo, although they are the major centres in the system. It is a network of urban nodes at varying levels and with varying functions, a network that is spread across the planet and operates as the new economic nervous system, a variable, interactive system to which companies and enterprises must adapt in a flexible way" (see Borja and Castells, 1997: 43). Thus some cities in developing countries may be classed – although peripheral within the network – as an operating part of the global city.

In any case, a direct correlation can be observed between the progress of globalisation and the gap in the hierarchy of cities both at the international (with cities such as New York, London and Tokyo being in an undisputed position) and at the national level. Size (i. e. population) loses its importance. Frankfurt, for instance, currently ranks above Berlin or even Munich. When this ranking is an appealing factor in itself, the starting-points of the different cities in a globalised economy become more unequal than they were in the past (Mäding 1997).

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[2] By core functions are understood not only central company functions, but all the top financial, legal, accounting, management, leadership, and planning functions required for a company to operate not only in one country, but in an increasing number of countries.

In recent years large European cities have lost their relative importance as locations for manufacturing industry. However, high technology companies seek to become established in large built-up areas. As the economic structure changes to favour the tertiary sector, the role of cities as service centres grows. Meanwhile, some formerly crucial factors such as the availability of raw materials have lost their importance for the choice of location. Should the proportion of footloose industries increase, many cities will, theoretically, have the opportunity to attract industrial activities, which may be attracted as a result of a reassessment of traditional factors and by other, new ones. The most important factors are mentioned below (Mäding 1997):

- **Location and accessibility:** In terms of the global economy and the provision of national and regional services, physical accessibility to customers, suppliers and partners will remain a fundamental comparative advantage, even in the telecommunications age. With its airport and its railway station, the city is in a better position than rural areas. However, this advantage tends to be lost as a result of the traffic jams typical of downtown areas. Suburban areas with fast access to highways undergo re-evaluation. Moreover, this sometimes extends not only to neighbouring municipalities but also to other districts and even states, as is the case on the outskirts of Berlin.
- **Modernity:** For cities to be viable in the future the most promising sectors must be developed, such as science, the entertainment industry, financial services and business consultancy, all of which require the thrust of qualified employees and new, innovative entrepreneurs.
- **Quality of life:** Leisure and spare-time activities in a city and its surroundings acquire increasing importance in comparison with traditional advantages. These “soft” advantages, along with others such as cultural facilities, the residential environment and the urban image, are important to satisfy the needs of the middle- and high-income residents whom local governments want to attract to settle in their area.

A crucial test for the major cities in deeply indebted Latin American countries is whether they are capable of hosting, either in their territory or in their region of influence, not only service activities attracted by their concentrated market, but also activities producing marketable goods and services capable of achieving a competitive position in the global market and of generating a positive economic balance, without degrading their eco-system and their citizens’ quality of life. With regard to their position in the global city networks, some argue that only São Paulo – along with Seoul, Hong Kong, and Singapore – could fulfil regional and global functions that justify the designation “peripheral world city”. Other mega-cities such as Mexico, Rio de Janeiro, or Buenos Aires, where there is a clear gap between their dominance at the national level and their relatively marginal international status, are ranked below the above group in the hierarchy of international cities. This is due to the fact that the rank awarded to a city based on population or employment figures is not analogous to that awarded in the general hierarchy. It cannot be said, even at the national

level, that political or economic prevalence is necessarily derived from the size of a city's population or territory, although there are conspicuous examples which might seem to justify such a correlation.

I.3. The loss of nation-states' managing capacity and its transfer to local and international bodies

In the late 20th century, the role of nation-states is being weakened by:

- growing market liberalisation and the resulting increased weight of multinational companies;
- the increase in competition between companies and in indirect competition on the world labour market; and
- the emergence of supra-national bodies such as the European Union and the growing influence of international financial bodies on the Latin American states.

In general, the strategic sphere where many global processes are concentrated is national. The mechanisms through which the legal reforms required for globalisation are introduced are frequently a part of state institutions. The infrastructure that facilitates hypermobility of financial capital at the global level is within national territories. But a change can be observed in the manner in which sovereignty and territory used to relate to one another in the recent history of the modern state and of the system of nation-states.

Business activities and the fragments of a new legal system that is starting to spread across the world have the effect of denationalising territory. In the field of financial business, Manhattan and the City of London are the equivalent of free trade zones. Yet Manhattan with all its activities, functions, and regulations is not a free zone in the geographical sense, but a highly specialised functional or institutional area which has been denationalised.

The globalisation process started by the private business sector puts nation-states in a situation of permanent competition as business locations. Consequently, competition between national economies increasingly translates into a global competition between states for the world market and for access to mobile capital. The Western nation-state runs the risk of succumbing to the dismantling of its social security system and to the establishment of a new model in which globalisation is the legitimating formula. Some manifestations of the globalisation of production networks are customarily pointed out as indicating the vulnerability of the national economy. This is done in order to propagate the need to cut salaries, deregulate and to make labour relations more flexible, while making cuts in social expenditure, as the only viable response to this situation.

These shifts adversely affect, among other things, social security systems and the options open to states for adapting their taxation systems to corporate strategies. This may impact either directly or indirectly on the economic capacity of cities, and the local social system.

Opinions differ as to whether the weakening of the nation-state is synonymous with redistribution of economic power and political decision-making capacity. While transnational consortia focus their attention mainly on improving local conditions which affect the profitability of investments, local governments – apart from their mission to attract investments – are charged with the maintenance and improvement of living and working conditions.

The thesis of the weakening of the nation-state is generally accompanied by the assertion that, in global capitalism, cities are irrelevant. Although it is usually admitted that, in the global economy, some cities perform some functions within networks, it is usually asserted that they have lost their function of social integration (Touraine, 1996). This interpretation is based on the tendency for urban contexts to dissolve, a tendency that has been observed all over the world. The centre of cities gradually loses importance in relation to a periphery that is increasingly differentiated; economic activities and local elite groups' way of life do not conform to an overall urban plan, while the power of the "information city" rests on non-material exchange processes based on the network and not in any particular locality.

In the same way as Touraine, Altvater and Mahnkopf have argued: "...this is how a new geography of cities was generated. They did not grow in space but were placed in it, more precisely at nodal points of global market relations. Such sites are nodes in global networks, but no longer cities which are something more than places for the exchange of goods and services" (1996, 125).

Although these authors underscore the function of large urban centres for the global economy, they agree with Touraine that the urban element itself loses relevance. "The other characteristics – the inhabitants' way of life, culture, the rural substratum, tradition etc. – tend to become a façade for the city's function as a node in the network" (Altvater/Mahnkopf, 1996, 126). Starting from this "narrative of eviction" (Sassen, 1994) a process is described which implies that delocalisation, uprooting and exclusion are a price to be paid in return for the incorporation of localities into the global city network. According to this vision, localities become locations for business, markets cease to be a social event and lose their visibility (Altvater/Mahnkopf, 1996).

Borja and Castells, in turn, believe that one of the major tasks of municipal political bodies in future will be to bring the achievement of economic objectives into harmony with social integration functions. As cities take their place in the global economy they should also integrate and structure their local society. Should city governments lack a solid anchorage in citizens, they will lack the necessary strength to navigate the global circuits. In this sense, local and global are complementary and not antagonistic features. This social integration requires democratised political mechanisms based on administrative decentralisation and on citizens' participation in municipal management. Yet it also requires a local economic policy, for example retaining a sector of employment in public and related services independent of the global competition (Borja/Castells, 1997) or fostering a sub-system of popular urban economy (Coraggio, 1998).

In recent years there has been increasing evidence of the growing role of cities. In Europe, local governments and the main economic and social players reacted when faced with economic recession in the 1970s. The former went beyond their legal obligations to attract investments, generate employment and renew the city's productive basis, and came to an agreement with urban players in order to promote the city. By creating the Committee of Regions, whose members represent regional and city governments (Maastricht, 1993), the European Community has finally recognised local governments within its institutional structure.

Latin American cities have also voiced their will to jointly define development projects, defend political decentralisation and local autonomy and to participate in the construction of supra-national institutions to represent them. Although they compare unfavourably with Europe in terms of the level of association and multiplicity of networks, some recent initiatives, such as the establishment of Mercosur Cities (*Mercociudades*), the consolidation of the UCCI (*Unión de Ciudades Capitales Iberoamericanas*) and proposals to co-ordinate common projects are worth noting. The association movement has gained momentum at both the national and the continental level (*Red Latinoamericana de Asociaciones de Municipalidades – IULA*), as has cooperation between Latin American cities and North American and European cities (Borja/Castells, 1997).

I.4. "Glocalisation": globalisation versus regionalisation?

The globalisation of the economy is fundamentally based on a brand new time-space relationship, characterised by increasing interconnection between transnational exchange relations, which become more and more complex. Unlike internationalisation, which refers to economic relations between the different national systems, globalisation is taken to mean the constitution of the transnational sphere. This does not mean that the nation-state entirely loses its management capacity, since "although the main corporations act on the global level, their operating conditions (infrastructure, education and training, taxation system, ecological barriers, etc.) are generated at the national or regional level. Material and social aspects of production are not conditional on globalisation as much as monetary aspects are" (Altvater/Mahnkopf, 1997). The resulting inequalities and imbalances give way to new forms of conflict, a new regional and sectoral protectionism and a new political segmentation.

In addition, there is a concentration process which tends to lead to oligopolistic relations. In this context, the debate about competitiveness is dominated by two apparently antagonistic positions. The former views transnational consortia and modern production models as detached from local conditions and argues that this is an unchangeable fact to which the different areas should adapt. This global or universal position views transnational consortia as the main players in the world economy. In accordance with this interpretation, by rendering production processes and organisational structures in companies more flexible, an increasing spatial and organisational disintegration is achieved. At the same time, capital and control capacity are increasingly con-

centrated in the hands of a few consortia. As a result, regional economies become subordinated to global processes, and therefore to control and decisions from outside.

In contrast, the second position underscores the variety of organisational forms and of individual agglomeration processes that occur at a specific regional level. Their endogenous potential must be developed in the context of increasing interregional differentiation in order to be competitive at the national and international level. What this would mean in reality is mutual superimposition and conditioning between global and local networks in a specific environment, a concept which has been summed up as „glocalisation“ (Swyngedow, 1992).

The international competitiveness of a country is determined first and foremost by the productivity and innovation capacity of its areas of economic concentration. Urban areas operate as cores of high economic performance and simultaneously as centres for the control of large production networks. Therefore, globalisation does not mean that the local and regional lose significance. The counterpart of globalisation is regionalisation, i. e. the process of territorial integration of activities in intra- or international environments. New research underscores the importance of regional networks, industrial districts and an innovative environment. The tendency toward institutional differentiation of the regional economy, and toward shaping and expanding bargaining and communication structures between regional players, is an indication of the influence wielded by a system of regionally differentiated socio-economic institutions over the productivity, innovation capacity and competitiveness of regions (Sabel, 1994).

The interconnection of sector urban economies – for example, between companies requiring a high technology and design input and their local suppliers and agencies that provide them with on-site services – is more crucial to international competitiveness in the urban region than the sector composition of the local economy. Metropolitan urban areas generally feature a highly differentiated economic structure inside which sub-economies are formed, with highly varied organisational forms and operational mechanisms. These sub-economies may establish close exchange and dependency relations between themselves, or exist independently, constituting a fragmented local economy with little coherence. The international competitiveness of an urban area thus depends on its institutional structures and the organisational forms of its economy (Krätke, 1997).

I.5. Decentralisation and duality in the post-Fordist production model

The significance of global integration and local dispersion tendencies is shown in the forms of functional and spatial decentralisation of economic processes. The concentration of administrative and management tasks in the centre of cities is accompanied by a displacement of industrial production and of marketing and service functions requiring a lot of space. Another aspect of decentralisa-

tion is disjointed business activities, which may involve both sub-contracting and the mere transfer of certain activities. In the present phase of the world economy, the combination of a disjointed space and global integration assigns a strategic role to the large cities in industrial countries, since they are the locations and key markets for leading sectors. They are also development centres for innovation in specialised services to businesses.

As long as it is accompanied by stable economic concentration, the distribution of economic activities at the national and global level implies enlarged control and management functions. The spatial effect and the resulting dynamics are shown in the high concentration which is characteristic of global city centres. Expectations that concentration would become unnecessary, insofar as global telecommunications systems would allow maximum decentralisation, have not been fulfilled. On the contrary, the spatial decentralisation made possible by telecommunications explains why the agglomeration of centralising activities has grown as much as it has. However, this is not evidence of continuation of the old agglomeration model, but of a new logic (Sassen, 1991).

All this means that modern information and communication technologies foster both spread and centralisation. The acceleration of production, circulation, and consumption processes and the decreasing importance of time in bridging spatial distances have pushed forward the centralisation of consortia. Though it might appear so at first sight, this process is not contradictory to the division of the territory and functions of central production plants into many small units. Once spatial barriers have lost their significance, spatial differences may be better taken advantage of in a subdivided factory and the interconnection between new plants may be optimised despite spread (just-in-time and lean production). Many apparently independent firms make up the global network of transnational consortia in whose central command offices all the threads of the net converge, under the co-ordination of a new expert group. Spread is therefore the basic condition for stronger centralisation, and is the optimal form of organisation of a factory operating worldwide.

I.6. Competition between cities

In view of the enormous enlargement of economic spaces and increasing transnational relations, cities should be viewed today as part of a system whose individual centres compete for the settlement of economic factors. Since urban economies are involved in the international division of labour, and in view of the increasing importance of multi-regional firms and spatial interconnection derived from new communication techniques and transportation systems, it is increasingly clear that cities cannot be considered in isolation. International developments impact mainly on big cities and put them in keen competition with the other cities of the world (Krätke, 1997).

In many places, these global challenges have been tackled with selective urban development in some city areas, the aim of which is to strengthen competitiveness in the international and interregional context. Achieving “competitiveness” vis-à-vis other alternative locations appears to be a goal not only of

global and large cities, but also at every level of the urban hierarchy, even in minor administrative units of metropolitan areas.

When making decisions about where to locate, companies include in their assessment – the extent and complexity of which are usually underestimated – a comparison between ever-larger territorial areas. Both the frequently unfounded concern that every business located in a place might go elsewhere if minor changes in profitability occur, and the equally unfounded hope that anyone looking for a business location might choose the site in question for the sake of marginal advantages, are giving rise to "ruinous competition" between cities and regions, as well as reinforcing the "fiscal stress" on municipalities. In any case, "only large consortia are in a position to fully appreciate offers from different municipalities" (Krätke, 1997: 143).

The competition between cities is three-fold:

- Competition for production potential: cities try to improve their competitive ranking within the international division of labour, by fostering the settlement or expansion of production or business complexes which are strong and internationally competitive.
- Competition for consumption potential: cities – particularly the smallest municipalities within a metropolitan area – try to improve their competitiveness by attracting social groups with higher purchasing and spending power.
- Competition for economic leadership functions: large cities try above all to improve their competitiveness by establishing or expanding their key economic and political functions. This implies a) the development of a communications and transport infrastructure, efficiency and a central position in the global transport and communications network, along with the construction and enlargement of airports and rapid means of transport; and b) increasing the supply of office buildings in key areas with the corresponding architecture and facilities.[3]

However, the relationship between cities is not only marked by competition: it may also be based on cooperation if the appropriate conditions are in place. The cooperation-competition duo is one that shapes relationships in the global urban system. The ultimate aim of the cooperation necessary for integration into an international system is to improve the competitiveness of each cooperator. The purpose of cooperation is to be able to compete better. Where cooperation exists, this implies a game of balancing up whether the gain in competitiveness exceeds the potential loss in existing comparative advantages, or whether a shift in the scale of performance turns cooperation into an instrument for consolidation into a political and economic player at a new level.

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[3] When competition is established between cities of different nations, the national instruments of differentiation may be decisive. In the case of Latin America, monetary stability or stability of the system of guarantees to private property, market regulation systems, particularly the labour market, the fiscal system and its implementation forms and other similar factors may be critical to preselection between cities. By unifying social security systems, macroeconomic policies and legal frameworks, as is presently the case in the European Union and will be so in regional Latin American or North American markets, competition will involve particular cities, rather than nations.

In general, competition between urban areas is a matter of specialisation or proximity. Cities tend to foster some of the specialisms in which they appear to have a comparative advantage and then develop an external promotion policy based on these specialisms. Thus cities such as Paris and Frankfurt compete with each other and with London for consolidation as a financial market-place in Europe, while Strasbourg, Luxembourg and Brussels compete to be the site of the European Parliament. Likewise, Montevideo, Buenos Aires, and Rio de Janeiro aspire to compete as the financial centre of Mercosur.

Geographical proximity brings about another kind of competition. Cities are central focuses of ever-larger areas of influence. They thus compete for consolidation as economic, cultural and political centres in the region. This competition may turn into cooperation to the extent that cities agree to develop projects which may be beneficial to the whole region.

The dynamics of competition play an important role in the consolidation of the global urban system. The internationalisation of cities reaches an institutional level whenever their authorities and their principal social players participate in inter-urban associations and networks (Borja, 1997).

II. The demographic weight and structure of cities

According to UN data (1993), in 1990 the population of Latin America was 448 million and that of Europe 499 million. Projections for the year 2000 show that the Latin American population will increase to 538 million, as against 510 million in Europe. By 2025 these figures will increase to 757 million and 515 million respectively. On the other hand, as mentioned above, in 1990 cities were host to 72% of the Latin American population and to 80% of the European population.

Although it is assumed that urbanisation will continue growing in Europe, the U.S.A. and Japan, the dynamics of growth of mega-cities[4] in industrial countries had come to a halt by mid-century. In developing countries, in contrast, cities keep growing. The accelerated dynamics of these urbanisation processes are reflected, among other indicators, in the speed at which the population of Mexico or São Paulo has increased – by 8 million people in just two or three decades. It took 150 years for New York to grow as much as that.

Global cities such as New York, Tokyo, and London have a far greater impact on the world economy and society than do the peripheral metropolises. However, globalisation involves general economic competition between business locations[5] – frequently of the same consortia – and not competition between countries or businesses, so that peripheral cities are also integrated at a global level. Therefore, the new urban development trends will also manifest themselves in the Southern megalopolises – though maybe in another way, given their history, their position and their structure – and will also bring about far-reaching transformations, both internally and in relation to their regions.

The demographic growth process has assumed different characteristics in Europe and in Latin America. Europe is the only major region where the annual growth rate was below 1% in the second half of the present century (1950-1995).[6] The highest population growth rates are observed in Western Europe, as a consequence of migrations (in Germany, in particular). In Eastern Europe, in turn, the rates are falling as a consequence of emigration, of a sharp decrease in fertility rates, and of rising or stagnant mortality because of wars in the region. In Southern Europe, there has been a sharp drop in the fertility rate, and in Northern Europe average figures prevail (UN, 1997a). Italy's fertility rate is the lowest in Europe (1.2), whereas Albania's is the highest (2.9). The mortality rate is declining in most countries.

With respect to this point and to the situation in France, Rosanvallon (1995) analyses the impact of the so-called demographic revolution on social security. In particular, increased life expectancy and lower birth rates affect one of the basic social security mechanisms, i. e. the transfer between generations. This

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[4] The Population Division of the UN Department of Economic and Social Development defines mega-cities as those built-up areas with populations of more than 8 million (United Nations, 1993).

[5] However, as mentioned in footnote 3, a competitiveness factor is the national or regional framework in which each city is placed.

[6] This fall can be seen particularly in Luxembourg, Belgium, and Denmark.

therefore triggers imbalances in the availability of resources for the pensions of various kinds and for benefit payments. This is therefore one of the main topics of the "new social question".

Another very important population question has to do with international migration. In 1990, Europe was the destination of 24 million international migrants, who arrived in cities and needed paid work in order to secure their livelihood, thus generating pressures on the labour market, a larger informal sector and insecure employment conditions (UN, 1997a). This significant population growth falls mainly into the following categories:

- **Economic migration.** Migrants in search of employment, originating in neighbouring countries of the Community (first of all Turkey, then Tunisia, Morocco, Algeria), and in Community member-states (Greece, Spain, Italy, Portugal, and Ireland), who migrate to more industrialised regions (Germany, France, The Netherlands, Belgium, and the United Kingdom). This type of migration was particularly significant in the 1970s and 1980s, but is more moderate at present (Albuquerque, 1993).
- **Political migration**, as a result of changes in the world geopolitical order and the aftermath of conflicts that provoked the disintegration of some states, particularly former Yugoslavia, the break-up of which triggered war in Croatia, Bosnia and Herzegovina. According to UNHCR's 1994 estimates, 3.8 million war victims sought refuge. Faced with this new social reality, countries such as Germany and Greece established migration categories, in order to host migrants from such regions, and Austria, Hungary, Sweden, Switzerland, and Turkey also offered asylum.

All these population swings impact on cities, and a new category of city-dweller should therefore be recognised: one whose labour is available and who in turn, demands goods and services from cities.

Urban population in Latin America was estimated to be around 70% of the total in the early 1990s. Although the pace of urban growth has been decreasing during the last decade (the urban growth rate was 3.9 per cent between 1965 and 1980, while it was 3 per cent between 1980 and 1990) (Gilbert, 1993), its impact is still considerable. An annual growth rate of 3.5 per cent is shown in the region as a whole, implying a doubling of the urban population over a period of twenty years. Therefore, fewer megalopolises and large cities will emerge in industrial countries than in developing nations in the future. It is estimated that in the year 2000, thirteen Latin American cities will have more than 3 million inhabitants, nine of which will have more than 5 million and four more than 10 million.[7]

Life expectancy at birth is dramatically lower than in Europe: in 1990, it was 68.5 and 74.4 years respectively. Also unfavourable are infant mortality indicators: for the 1985-1990 period, the mortality rate was 54 in Latin America, and

[7] These cities are Belo Horizonte (5.11 million), Bogotá (6.53 million), Buenos Aires (13.18 million, Caracas (5.03 million), Guadalajara (4.11 million), Lima-Callao (9.14 million), Mexico (25.82 million), Monterey (3.97 million), Porto Alegre (4.02 million), Recife (3.65 million), Rio de Janeiro (13.26 million), Santiago de Chile (5.26 million), São Paulo (23.97 million). Source: Lattes, 1990.

13[8] in Europe. In a highly urbanised continent, these figures are associated with urban poverty and could be reduced by improving access to basic services in cities (gastrointestinal diseases in the first years of life are, for instance, the consequence of a shortage of drinking water, sanitary services, drainage, etc.), and show the prevailing inequality.

Demographic behaviour in large Latin American cities is heterogeneous. Whereas Montevideo and Buenos Aires show population dynamics similar to those of Europe (a low fertility rate and a larger burden of elderly people), others such as Mexico City and São Paulo show a high growth rate and a predominance of young people and children. This, together with the trend toward increased life expectancy, will translate into a heavy burden of economically inactive persons on the working population[9].

In Latin America the overall dependency rate was 68.5, whereas in Europe it was 49.2 in 1990. An analysis of these figures into dependency of the young and the elderly population shows a heavier burden of the infant population in Latin America (60.4), and of the elderly population in Europe (20). Projections show that in the year 2000 the total dependency rate will be 61.4 in Latin America (52.7 for the under-15s and 8.7 for the population aged 65-plus) and 50.2 in Europe (27.8 and 22.4 respectively), and that by the year 2025 this trend will be more pronounced. Europe will then have a higher percentage of dependent population as a consequence of the burden of the elderly population: an overall dependency rate of 57.7 (26 for young people, and 31.7 for old people), whereas in Latin America it will be around 52.2 (39.1, and 13.1, respectively).

As far as international migration is concerned, the influx of migrants from Mexico to the U.S.A. continues. Most migrants go to the U.S.A. in search of jobs and without the required papers.[10] Very often their families remain in Mexico, and migration enables a substantial flow of money to be transferred periodically to their places of origin. However, this is not sufficient to lower the pressure on young workers who join the labour market each year. Cities are the main source of employment for them, although they offer insecure and informal conditions as well as registering high levels of unemployment.

In Central America, migration has not only been the consequence of economic conditions, but also of armed conflicts during the past few decades. Migrants go mainly to the U.S.A. and Mexico, most of them in totally insecure and

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[8] Source: United Nations, Report on the World Social Situation 1993.

[9] According to the division per functional age group, three large tiers are identified in any population: 0-14, 15-64, 65 and over. "Relatively young" populations are those where the proportion of individuals below 15 years of age is 40% to 45% of the total. On the contrary, "relatively old" populations are those where around 35% are below 15 years, and nearly 10% of the total are older than 60 years (Elizaga, 1979). In analysing population composition by functional age groups and linking it with economic activity, it should be taken into account that, while not all the active population participate, a proportion of those above 64 and below 15 do. However, the relation of population in those age groups and those in ages considered to be active gives a rough idea of the population dependency burden, i.e. the ratio of inactive population to 100 working-age population.

[10] It is estimated that 7.1 million migrants live in the U.S.A.. For the most part they were born in Mexico, while 2.6 million are the offspring of a Mexican mother and/or father (cf. Instituto Federal Electoral, 1998).

illegal conditions. In South America, by contrast, there is in-migration and no changes have been observed in recent decades (UN, 1997a).

The impact of migration on a city depends on the one hand on its openness to new arrivals. Migrants are discriminated in terms of pay, housing or the capital market and are active in the fight against these circumstances. On the other hand, the impact of migration on the city also depends on the specific characteristics of migrants. Their available resources – money, education and membership of social networks – have a great influence on the social and economic process of a city. The arrival of migrants is translated into ethnic and national pluralism. This, if faced with a positive frame of mind, offers an encouraging basis for cultural development and diversification, although it may be claimed to justify discrimination and encourage ethnic conflicts.

One of the major questions for the future concerns the extent to which problems deriving from migratory flows, together with segregation, may be solved in a proper manner by means of municipal social, infrastructure and security policies. For a long time, the municipal policies of most megalopolises may have been geared to satisfy, on the one hand, the cultural and consumption needs of high-income sectors, and on the other the interests of dynamic economic sectors which they want to lure to or keep in the city in the face of national or international competition.

This population situation adds new features to the social question and generates different problems in Latin American cities, namely: i) a heavy burden of pensioners on the working population; ii) an increasing demand for employment and goods and common services (health, education, sports, culture) which has to be met by the government, in spite of the recent trend toward privatisation, iii) a heavier burden on social security through retirements in a context of fund decapitalisation, after several decades of serious inflationary processes, and iv) a process whereby poverty increasingly affects cities, women and children, the result not only of demographic dynamics but first and foremost of the urban employment set-up.

III. The social situation in cities

III.1. Structural change and the urban labour market

Starting in the mid-1970s, major changes in the urban labour markets of Europe and Latin America have been observed. The main characteristic of these changes has been the destruction of the industrial and professional occupational equilibrium, which immediately affected the type of employment, the level of pay, job stability and workers' advancement opportunities.

The job supply has been changed by the emergence of new branches of the economy and by new organisational forms in the older ones. The rapid growth of sectors connected with the global production process which takes place in plants all over the world has a functional relationship with the expansion of low-wage (informal) activities and consumer services. The large income gap between these two sectors polarises the social and spatial structure, leading to the disappearance of the Fordist urban middle class and of the balanced society model.

When manufacturing was the leading sector of the economy, the conditions were fulfilled for the emergence of large middle-income population sectors. On the one hand, industrial workers were consumers of a large proportion of the goods they produced and, on the other hand, manufacturing activity facilitated the organisation of workers into unions. Their social achievements in turn established a connection between the general evolution of salaries and productivity developments. Among other factors, the reorganisation of the economic structure and the globalisation of consortia has resulted in a weakening of the traditional forms of union organisation, reducing its ability to offset corporate power.

The present evolution of the labour market creates new forms of polarisation in large cities. At the core of the labour market there is a constantly widening salary gap. In addition, there are an enormous number of work opportunities outside the market core, including involuntary forms of self-employment, jobs with no social security, and other work in conditions of great dependency and insecurity with no recognition of the right to paid leave or suchlike. Standardised mass production has given way to flexible, customised production, which encompasses a supplier network and informal labour, including sweat shops, and home-based work (Sassen, 1991).

Employers demand even greater flexibility, arguing pressures of international competition, at a time when the labour market is becoming increasingly unstable and the political will to implement government-funded promotion programmes is decreasing. This flexibility involves an increase in temporary contracts and in permanent short-time working, thus pushing the affected groups to marginality and insecurity. New forms of social segmentation have resulted (Sassen, 1996).

From a social perspective it may be argued that in European cities the major problem is unemployment, which in turn is the main cause of poverty. In the

early 1980s, unemployment was above 10% in France, Belgium and the United Kingdom, and a few years later it rose to 25% in numerous cities. It was even higher in cities adjacent to large built-up areas. Spanish cities were at the top of the unemployment rankings in southern Europe, followed by Portuguese and Greek cities. This continued in the 1990s, though with minor improvements. The new poor are those who have become long-term unemployed as a consequence of both structural changes in the economy and of migration from Europe's neighbouring regions of Africa, Asia, and Eastern Europe (Ayuntamiento de Barcelona-Eurociudades, 1991).

The mechanics of unemployment benefits are therefore called into question. Such benefits were originally designed for exceptional situations, for temporarily unemployed workers to be able to take home a minimum income in order to secure their own and their family's subsistence.

Research on London, New York and Tokyo shows that economic growth does not necessarily go hand in hand with a fair distribution of wealth (Sassen, 1996). Since the 1960s more jobs have been cut than created. And starting in the 1980s, a strong increase in low-wage jobs has been observed in the centre of cities. Average real salaries have fallen in comparison with the national mean.

High unemployment and under-employment figures and large numbers of informal workers – the main trait of the urban labour market in Latin America – have been recorded in the region's cities. This phenomenon is quantitatively significant in Lima, Mexico, São Paulo, and Buenos Aires, whose economies have gone through a wage loss process as industrial activity has decreased.

Although high and consistent unemployment rates are of concern, the main problem in Latin American cities is the decrease in workers' real income, associated for the most part with informal and insecure jobs, which account for an average of 30%-50% of urban economic activities.[11] During the present decade most jobs have been created in the informal sector (84% of all jobs).[12] In spite of the substantial differences existing from country to country, this is a telltale statistic for social policy makers. This sort of situation deprives workers of the rights recognised by union agreements and/or labour laws. Reduced contributions, in turn, jeopardise the operation of unions' friendly societies. As a consequence, there is an increased demand from middle- and low-income sectors for social services from the government. Given the tendency for governments to reduce social expenditure, the quality of such services deteriorates (for instance, health care services).

ECLAC points out that in Latin America there is no relation between economic growth and job creation. By 1994 only two countries (Chile and Colombia) had shown any improvement over 1980 in both urban unemployment and real wages. In Brazil,[13] Mexico and Costa Rica, unemployment was reduced

[11] Between 40% and 60% in Asia, and over 60% in Africa.

[12] OIT data, cit. by ECLAC, 1997: 15.

[13] At the time of publishing this report, the situation in Brazil has deteriorated, and an increase in unemployment and decrease in real wages are being anticipated.

and wages paid for formal activities returned to previous levels. Only Bolivia showed a decline in both urban unemployment and pay. In other countries (Argentina, Ecuador, Nicaragua, Peru and Venezuela) higher unemployment levels and lower salaries were observed or at best they were similar to those prevailing in 1980. A growth in salaries in the modern sector was observed in Panama, in a context of increased unemployment (cf. ECLAC, 1996).

Increased informal economic activities are a widespread phenomenon in both peripheral and central areas of cities. In large Third World cities an extensive network of socio-economic activities has developed, which is outside state regulation and frequently accounts for more than 50% of urban jobs. The informal sector has become a very significant economic factor: in Mexico, for instance, it generates 25% to 38% of the product (Fledbaouer/Panreiter, 1997). In global cities, too, there is a growing reappearance of non-regulated employment relations.

In G 7-countries, job creation frequently occurs in an expanding, informal and insecure market, although it has different features from city to city: in London, the most usual characteristic is temporary jobs, in New York it is the informal economy and in Japan it is one-day jobs for men (Sassen, 1991).

The increased importance of the informal sector in both Southern megalopolises and in many large cities of Northern countries – New York is the most conspicuous example, although this phenomenon is also observed in London, Paris and Chicago – should not be simply interpreted as a phenomenon of evolving economic convergence. What seems at first sight to be an analogous trend happens to be the result of very different conditions and processes.[14]

The workers in the informal market – which in London and New York supplies products and services satisfying the new consumption needs, revitalising so far untapped areas with their own capital and unpaid work – are mainly new immigrants. The urban labour market is not homogeneous but ethnically segregated. In the U.S.A., belonging to an ethnic group still shapes living, housing and work opportunities. Sassen argues, “It is impossible to disregard the facts of race and nationality when reviewing social and economic processes in New York” (Sassen, 1991: 299). This may also apply to Los Angeles and London.

In Latin American cities, another important factor is the sharp reduction in public-sector employment without private activities offering sufficient alternatives. This has an impact not only on the labour market itself but on the quality of public services provided by city governments. The privatisation of public services is very unequal and does not permit any generalisations. However, even if

[14] The "informal sector" concept appeared in the early nineteen-seventies. It originally referred to economic activities of the jobless or the underemployed in marginal Third World neighbourhoods, who were compelled to earn a living through different activities, facing a shortage of industrial jobs. Such activities were considered to be traditional, less productive, and disconnected from the formal sector. The informal sector was thus viewed as the "milieu of the urban poor", where migrants find or create work, basic provisioning is carried out, and marginalised sections of the population organise their living. It emerged as the result of migration and poverty, and as a continuation in cities of rural migrants’ traditional mores and production forms. Their structures were summed up as the "culture of poverty", and interpreted as "ruralisation" of cities.

an assessment is still pending, the net negative effects can still be verified, since there is still a considerable unsatisfied demand for jobs for the middle social strata.

It is clear that in the context of the global market Latin American cities are incapable of assuring reasonably adequate living conditions for a substantial sector of labour through formal jobs.

In this context, another feature of the Latin American urban labour market is the increasing incorporation of female work. Moser (1987) estimated that one third of households worldwide are headed by women and up to 50% in urban areas, particularly in Latin America and in Africa. Women must seek any paid activity in order to make a living. But in some countries the increased incorporation of women into the labour market is also the result of their higher level of education. It should be noted that, irrespective of their qualifications, female workers accept unfavourable salary and job security conditions. Job informality and insecurity prevail for women from the lower classes, who work mostly as maids or in low-skilled industrial manual jobs (cosmetics, clothing etc.). It is estimated that in Bolivia women accounted for half the workers in the informal sector in 1995, and for only a quarter of the formal sector (Borja and Castells, 1997: 82). These authors argue that this was the case while the multiple roles of women as producer and educator, household administrator and agent for the organisation of daily living are becoming more important than ever in the conditions of the present model of urbanisation (idem: 83).

Another conspicuous phenomenon in large Latin American cities is child labour. Children work in the streets, offering all kinds of service (cleaning windscreens, selling chewing gum, matches, etc.), thus adding to their family's income while dropping out from school and/or from training centres at an early age. This is an unequivocal sign of urban poverty and social exclusion.

Borja and Castells (1997) emphasise the poverty affecting children in cities, asserting that it is a blatant negation of the notion of progress in a segregating global economy. Based on an UNICEF paper, they estimate that between 2% and 16% of Brazilian children and 10% of Mexican children are "street children". It is argued that in the developing world children in cities are more likely to be born in poverty at present than they were in 1980. There is also a greater likelihood that they will be born prematurely, die before the age of one, be born to mothers who have not received any prenatal care, work in an exploitative environment, become drug addicts, work as prostitutes and be exposed to street violence (cf. Blanc, 1994).

Finally, the urban labour market is subjected to the pressure of young people who join it each year and who have too few options available in view of the limited demand and their low qualifications.

III.2. Urban poverty and social exclusion

New poverty: in Europe this describes a condition deriving from different factors than in the recent past. It is particularly due to the new phenomenon of long-term unemployment, but also to a remarkable increase in social inequality

in Europe. In the early 1990s, according to EC statistics, 44 million people were living below the poverty line (Ayuntamiento de Barcelona – Eurociudades, 1991). This figure is close to estimates for Mexico but very much below those for Brazil. At present, economic recovery in developed countries is faced with structural problems, particularly in the labour market. Moreover, it has been said that "only in the UK and the U.S.A. is the unemployment rate below the average observed in the 1980s. In the EU, it is around the peak of 11.2% reached in 1994" (UN, 1997: 8).

Poverty and exclusion go together with the clear social inequalities that characterise society in the 1990s, the impact of which is particularly serious in cities and is reflected in the prevailing urban segregation and inequality in terms of access to goods and social services.

Fituossi and Rosavallon (1996) have examined the developed world in the social situation resulting from applying the neo-liberal model and have termed this "the age of inequalities". On the one hand, traditional or structural inequalities resulting from the income earned by different social categories (workers, executives, employees, etc.) remain, and have been enlarged and changed in relation to society's perception of them. On the other, new inequalities have cropped up "which stem from a re-qualification of differences within categories which used to be termed homogeneous", i. e. they are "intra-category" inequalities (p. 73, 74). The plural dimension of inequality observed by these authors in France, has prompted them to draw up a "repertoire of inequalities", based on: 1) the disappearance of the classical wage-earning work model under the impact of massive joblessness, which does not affect all individuals at the same time and does not depend only on individual abilities, but on the manner in which they relate to the circumstances; 2) women who have become integrated into the economy but who accept lower salaries than men, insecure working conditions, and whose unemployment rates are higher; 3) geographical inequalities between regions of one country or between areas of one city, which express social inequalities in that territory; 4) welfare allowances which are conditional on the potential beneficiary's resources; 5) facilities for or obstacles to accessing the financial system; 6) differences observed in daily life as concerns health, housing, public facilities and transportation.

All such usually accumulative processes create contrasting aspects of a city and its territory. Reducing the aforementioned inequalities should be one of the explicit objectives of urban social policies.

In Latin America, the new poverty comes in addition to the existing structural one. It may be said that social inequality has been a constituent component of society and of the Latin American city. However, it has increased so much that according to estimates it is presently a more serious phenomenon than in the 1960s or early 1970s (ECLAC, 1996: 34).

In 1994, 109 million people in Latin America and the Caribbean were below the poverty line and 98 million of these were living in destitution. More than 50% of the Latin American poor live in cities (135 million), as do 52% of indigents (52 million). The highest relative incidence of urban poverty is found in Central America, where around 60% of the population is poor (the urban poor

in Honduras account for as much as 70%). In the Southern Cone, according to ECLAC in Brazil the urban poor accounted for 39% in 1993 (ECLAC, 1997), whereas in Mexico they were estimated to account for 29% in 1994 (ECLAC, 1998).

Comparing 1980 and present figures, urban poverty has decreased in four countries (Bolivia, Chile, Panama, Uruguay) and increased in seven other countries over the past 16 years (Argentina, Brazil, Colombia, Costa Rica, Peru, Mexico, Venezuela, and Honduras). (ECLAC, 1998).

It is also estimated that out of 10 poor urban households, seven owe their poverty to low wages, two are poor as a consequence of unemployment of one of their members and one is poor because most of its members are minors (ECLAC, 1997). While for a long time poverty was considered to be a situation derived from individuals' inability to be integrated into the productive system or the insecurity of their integration, there is now evidence that in the Latin American wage-earning market there is a high number of wage-earning families living below the poverty line. This comes on top of other difficulties faced by these workers in other aspects of social life (organisation, culture, the law, etc.), which consolidate their poverty and are an indication of obstacles and of the need for a comprehensive approach to social policies designed to combat poverty.

The major source of inequality is therefore of a structural type and results from the income gap between wage-earners, which tends to increase dramatically between different labour categories. It is estimated that "the gap between the income of professionals and experts and that of the low productivity sectors increased by 40% to 60% between 1990 and 1994. The maintenance or increase of labour income dispersion, reflecting sharp productivity gaps between companies and sectors, is significant for understanding the rigidity of income that has accompanied recent economic growth ... " (ECLAC, 1997. 15-16).[15]

Wage-earners among the poorest sections are outside the market of the most modern activities and work in low-productivity micro-businesses.[16] They live in insecure conditions similar to those of domestic servants or of the low-qualified self-employed.

There are also a considerable number of poor people among civil servants and wage-earners in medium-sized and large private companies. According to ECLAC's estimates, in more than half of Latin American countries between 30% and 50% of wage-earners in the private sector live in poor homes.[17] In

[15] The widest inequality is observed in Honduras and Peru, and the narrowest in Uruguay and Barbados. The region is thus characterised by its "inequality excess", since 15 out of 17 countries show higher inequality levels than expected, according to their development standards.

[16] 20% to 45% of the employed poor are wage-earners working for micro businesses.

[17] Though figures range widely from country to country: below 10% in Argentina and Uruguay, and from 30 to 40% in Bolivia, Brazil, Colombia, Mexico, Paraguay, and Venezuela (ECLAC, 1997, I-35).

other words, a high proportion of the total working poor are wage-earners in the formal sector, which fails to ensure them access above the poverty threshold.[18]

Another question connected with employment and having a significant impact on cities is the decrease in workers' real wages. It is estimated that wage levels in 13 out of 17 Latin American countries reviewed in 1997 had fallen compared with 1980. Although there had been some gain in salaries in some countries, this process was interrupted in 1996. Informal workers, in turn, usually work longer hours and are paid on average a mere half of the wages paid to workers and employees in modern establishments (ECLAC, 1997).

Poorer families thus seek different subsistence strategies and send a larger number of their members into the labour market, which has an impact on the young, who drop out of education or are less concerned with it. Women accept very low productivity jobs in insecure conditions and children are exposed to working in the city streets.

In Latin America the result of poverty is that numerous families are excluded from access to basic goods and service markets. It is estimated that around 150 million people in Latin America and the Caribbean, i. e. one in three, subsist on an income of less than two US dollars per day (Lusting. N. and Deutsch, 1998). This comes on top of their exclusion from mechanisms that regulate social living (e.g. the law, etc.), and they therefore face a broad range of social exclusion.

The notion of social exclusion emerged in Europe when it was admitted that unemployment was an old phenomenon, that a considerable number of people were homeless, that there were new forms of poverty, that the welfare state should be restructured to face the fiscal crisis, and that public social security systems should give way to society's solidarity in order to take care of this social issue.

In Latin America, social exclusion refers to a "phenomenon derived from the interaction of several elementary processes (or factors) which affect individuals and human groups, preventing them from accessing a decent standard of living, and/or from fully participating, according to their own skills, in development processes" (Quinti, 1997: 74). Exclusion, therefore, "acquires some sense in the context of globalisation which divides and polarises the social whole, by bringing some population sectors into the economy, culture, internationalised technology, and banning the large majorities from accessing or exercising one or all of these dimensions) (idem)".

According to Grynspan (1997), in Latin America poverty is a situation of deprivation and impotence. *Deprivation*, because individuals do not have any income or assets sufficient to meet their most basic material needs, as a result of lack of education, skills, attitudes, tools, opportunities or assets to generate income and accumulate. *Impotence*, because they lack either any organisation or lobbying capacity to change the situation by themselves (p. 94).

[18] In 7 out of 12 countries reviewed, 30% to 50% of private-sector wage-earners working away from micro-businesses belonged to poor households, due to their income.

Among others, the following variables are used to describe the social exclusion concept: difficulties in accessing the job market, credit, social services and education; illiteracy, poverty due to low income, territorial isolation, gender or political discrimination, housing shortage, ethnic-linguistic discrimination, which are considered to be “social risk factors”.

Although extreme poverty or illiteracy may be so serious as to be forms of direct social exclusion in themselves (Quinti, 1997), any sectoral policy will be extremely weak unless it is integrated into government actions that confront not only poverty but also social and political exclusion. This implies a broad range of urban social policies, which are discussed below.

III.3. Social dualism and the dissolution of the urban space

Increasing competition between economic centres intensifies social problems in cities. Both old and new social and economic differences are seen in the territory. Problems of the “two thirds society” are therefore clearly evident in cities. Poverty becomes concentrated there. The number of households below the poverty line is associated with a scarcity of housing in some urban areas. The regulation of the EU URBAN programme states: “increasing strains in European society are shown, above all, in a high degree of social segregation, which is spread across the centre of cities and their periphery”.

The most serious problems in Latin American cities with regard to poverty, shortage of housing, informality, environmental pollution, an inadequate supply of drinking water and food, and transportation deficits, tend to be linked on a territorial basis. These shortages are mutually reinforced and finally put a stigma on some areas, so that their inhabitants fall into the vicious cycle of poverty from which it is almost impossible for them to escape.

The problems in European cities are similar to those in Latin America but also have some specific traits. The evolution of employment and income distribution resulting from economic and social restructuring on a global scale bring about increasing differentiation within urban societies. Likewise, the trend toward socio-economic polarisation (the increasing gap between rich and poor) and cultural plurality (resulting from the income gap, but also from the multiplication of ethnic groups) give rise to patterns of segregation and the possibility of an irreversible fragmentation of the urban space.

As a result of changes in the world economy and of the responses to them (i. e., the search for increasing international competitiveness of localities through measures aimed at deregulation and flexibility) the economic, political, and social conditions of European urban development have shifted dramatically (Dangschat, 1997, 88):

- in the organisation of labour, which is seen in new regional exchange relations and in the urban labour market;
- in a social policy which underscores the trend towards segmentation of social welfare recipients;

- in a new political strategy of nation-states and municipalities, whose goal is to ensure international competitiveness for cities and regions and of the country in general;
- in a new kind of urban planning which tends to turn centres of cities into shop windows to the outside, disregarding the less prosperous areas, thus contributing to the crystallisation of "winners'" and "losers'" areas;
- in a new situation in the real estate market, affecting above all city-centre housing, the inhabitants of which are displaced to other, less appealing areas;
- in a new household structure; [19]
- in migratory currents originating in very poor regions with scarce employment opportunities;
- in a shift in values, expressed in a reduced feeling of solidarity among certain groups with the poor;
- in spatial structures which concentrate and segregate.[20]

European municipalities are threatened not only by a shrinking financial capacity, but above all by the tendency to dissolve the urban space, a tendency which is promoted by new ways of living, socio-economic evolution and the introduction of new media. A typical trait of the digital society is withdrawal to the private space.

New technologies permit customised attention to individual interests, which may result in a still higher degree of egocentricity and social fragmentation. Common experiences, the perception of a shared reality and the connections they give rise to are less and less frequent, and this may result in a weakening of values and the common reference system.

It is usually argued that communication in the information society opens up the door to the community. In the virtual world, contacts are established very quickly, but are just as quickly dissolved. They are transient, and you can easily withdraw from a group. You are everywhere at once, yet actually nowhere. In virtual space, there is no sense of responsibility. Media teach us to develop a long psychological distance between what we do and its effect. The permanent search for new contacts and groups may be a way to dodge the problems and challenges of real communities. The emergence of the "virtual village" has as its counterpart the dissolution of real space and the loss of responsibility and solidarity towards the community.

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[19] There is a new tendency towards a decrease in the number of persons per household. More and more elderly people live alone, as do young people. In 1991, there were children in less than one third of London homes, and in many cases, these were incomplete families.

[20] London is worth mentioning as an example. Unemployment, poverty, overcrowding, and abandonment are much higher in eastern than in western districts. Around an area of housing and shops, dating back to the 19th century and with a high population density, large numbers of immigrants, poor and elderly people, there is a less dense one, in the east and south ends of which practically no immigrants live, and basically consisting of owner-occupied detached and semi-detached houses.

There is another aspect of dissolution of the urban space which is already fully evident. The withdrawal from the centre of cities is encouraged by the building of huge shopping malls in the middle of the countryside, a process which may result in diversion of purchasing power, quality impairment in the urban area and the emergence of social outcast areas riddled with crime and insecurity. On the other hand, the transfer of trade and production away from cities increases traffic and the ensuing noise and emissions in suburban areas, and in the environment in general.

In some cases, the explosion of real estate prices has resulted in city centres being only office buildings and one-person households. Families tend to live in the periphery, where new nursery and primary schools have to be built, while premises in built-up areas are vacated. Suburbanisation and interconnection bring about problems which affect the city-periphery relationship.

The spatial dissolution and the shift in dimension are not confined to the city and its periphery. The globalisation of markets has also changed the professional environment and working arrangements, resulting in a strong growth in mobility. The new cultural and leisure habits contribute to this, since they are not restricted to the area of residence but integrated into a broad tissue of interests and supra-regional interconnections. In many cases, the residence serves only as somewhere to sleep, and there is no interest in municipal evolution.

III.4. Urban segregation

In cities, social disparity and polarisation are usually translated into spatial polarisation and segregation. The increase in unemployment and poverty is a burden on the social budget of city councils and prevents them from maintaining and enlarging the infrastructure required to reinforce the threatened social integration, such as sports and leisure facilities, contact centres and cultural facilities. There is no doubt that social disintegration is connected with social extremism, violence and crime (Mäding, 1997).

The spatial organisation in the Ford era ended up by being very inflexible and difficult to restructure. In long-neglected city centres, offices and expensive housing are springing up, while the poor are settling in nearby neighbourhoods for as long as they are not displaced by subsequent investment.

The concept of “Gentrification” sums up a transformation of neighbourhoods close to the centre which, in European cities, involves two dimensions:

- reinvestment in and revaluation of city centre housing, including modernisation, price increases; it is no longer rented, but owner-occupied;
- displacement or change of residents: highly educated, high-income young people come to live there, usually without a family.

This also implies a lifestyle change. The intensification of this process is a fundamental trait of the change in the social and spatial structure of large European cities. One consequence is the decrease in supply of housing for rent at an affordable price and the development of a filtering-down chain in the lower income sectors, since residents displaced from city centres generate further displacements by bursting in on other neighbourhoods.

At present, European cities are going through a process which leads to social and spatial segregation within a small environment. Belonging to a group is not only defined by "social" class but may result from belonging to an ethnic group, a religious denomination, or a community of people going through the same experiences (e.g. migrants, refugees, etc.). Urban areas for housing, which used to be large and extended, are divided and dissolved in a polarisation process which gives rise to the so-called urban underclass, and the characteristic of which is the superimposition of economic, social, and spatial marginalisation.

Arguably, one of the most distinctive traits of Latin American cities, unlike European ones, is the grave lack of basic services and facilities in lower-class neighbourhoods, which in some places are actual towns of the poor within the big city. This is a blatant expression of spatially restricted citizenship.

Undoubtedly, in capital cities, which are frequently leading cities (Buenos Aires, Montevideo, Santiago de Chile), citizens may access appropriate standards of basic education, health care and public leisure facilities. However, there is a serious shortage of housing utilities (water, drainage, electricity, streets, etc.). Frequently, too, lower-class neighbourhoods are out of town and public transport is poor, expensive, and slow.

Some decades ago, urban poverty in Latin American societies was in enclaves: insecure and run-down public housing designated differently from country to country (*conventillos, cortijos, inquilinatos, bodeville*), and self-constructed shanty towns (*favelas, villas de miseria, colonias populares, campamentos*) which, despite their distinctions, shared a common trait: they were spatial expressions of so-called marginality. Now, poverty is no longer marginal but has reached a massive dimension and is spread across the city, giving rise to other enclaves which are "poverty-free" (although surrounded by poverty).

Between 1980 and 1990, the number of the poor living in urban areas doubled and in the latest five-year period it increased by a further 10%. A similar pace of increase was observed in the growth of the number of indigents. The urbanisation of poverty has been one of the most important characteristics of this phenomenon in Latin America in recent decades (ECLAC, 1997).

Social, ecological, and sanitation problems are much more closely interconnected in Latin America than in industrial countries and the greater social polarisation is reflected in increased urban marginalisation. The shortage of affordable housing still leads some people to overcrowd old city-centre buildings, but above all it leads to illegal settlements on the city periphery, through spontaneous or organised occupation of public or private land.[21]

In some cases the authorities tolerate the occupation of vacant public land near airports or rubbish dumps or under bridges or highways, either for lack of alternatives or in the interests of avoiding a violent reaction from those evicted. Whenever stronger controls are put in place the consequence is increased overcrowding in existing settlements. Since the income of workers' families is

[21] In São Paulo, for instance, 65% of the urban housing area has been generated in an illegal manner (Kohlhepp, 1997).

very low, they have no resources available to invest legally in housing and facilities. In other words, the massive self-build process in the lower-class urban habitat carried out in previous decades can no longer continue, owing to severe economic restrictions.

The evolution of lower-class settlements – either legal or illegal – was characterised, in the past, by the struggle to obtain the most essential services (water, drainage, transport, education). At present, city councils can hardly respond to the public need for infrastructure, services and health care in the new settlement areas. Since city councils' budgets are limited and are mostly earmarked for administrative expenses in the consolidated city, they cannot devise any policies whose aim is to extend basic public networks. Additionally, in some cases they are unable to do so because the areas occupied by lower-class neighbourhoods are totally inappropriate. The privatisation of services is not a way out, since these sectors are not attractive to business.

These areas are not subject to any planning regulations. Sanitary conditions are totally deficient as a consequence of inadequate drainage, rubbish which is not collected and unsafe installations. The infant mortality rate is very high and infectious and contagious diseases are rife. The existence of these settlements forms an increasingly stark contrast with the globalised city, the financial and commercial capital districts of which are very similar in any large city in the world.

Apart from this very widespread type of popular settlement, Latin American cities maintain houses for rent in their central areas, which however represent a less and less important housing alternative, since they are run-down and overcrowded.[22] This is another type of urban segregation and their residents have rebelled several times, as in the case of riots by victims of the 1985 earthquakes in Mexico City.

Large cities in Brazil, Mexico, Peru, Colombia and Argentina are a spatial expression in harsh crude reality of the sharp inequality in society. A study conducted in São Paulo in 1993 showed the existence of extreme inequalities between four groups of the population surveyed. The rate of unemployment among the poorest was almost five times as high as that among the more affluent; in the lower income group, 39% of families were below the poverty line and 30% depended on income earned by children. Moreover, in the lower income group the illiteracy rate was 7 times as high, more than half the heads of household had not completed primary education and 87% of family members over the age of 7 had not entered or completed secondary education. As for housing, more than 37% of families in São Paulo lived in sub-standard housing, whereas only 13% lived in "very satisfactory" conditions. Overall, 11.3% of families in the metropolitan area lived in destitution, with income being only 26% of the assessed family mean; numerous children lived in shanty dwellings (15% of them illegally), with a higher proportion of black or mixed race people (42% of indigent families) and a greater incidence among recent immigrants to

[22] Decrees providing for the freezing of rents passed in several Latin American cities in the nineteen-forties discouraged the construction of housing for rent.

São Paulo. According to this study, the strong economic dynamics of the city in recent years have resulted in increasing social inequality for residents.[23]

Likewise, inequalities are expressed in ethnic origin. Indigenous peoples from Lima, La Paz, or Mexico City must overcome several obstacles in order to enforce equality and equal opportunities principles, in terms of access to goods and basic services, as established by law.

Marginalisation and social inequalities promote conflicts and violence. In some South American countries, e. g. Brazil, taking the law into one's own hands is prevalent, so that most actions are targeted at street children and beggars. Alcohol and drug consumption, violence and street crime are characteristic of many marginal neighbourhoods in large cities of the region. Finally, urban crime has acquired new dimensions through drug trafficking.

Medium and high-income sectors react to these phenomena by enclosing their residential areas and retaining private security services to prevent marginalised sectors from entering. For the poor, this privatisation process of public areas involves a loss of free access to the city.

At the same time urban affluent spaces have developed which are true enclaves of wealth, and mega shopping centres offering sumptuous products have proliferated, as have restaurants and show-rooms belonging to international chains. All of this contributes to a homogeneous urban landscape in these areas, imprinting on them the traits of every large city in the world. This access modernity makes urban segregation even more serious.

Another worrying aspect of uncontrolled city growth is increasing environmental pollution and accumulation of toxic waste, which affect different areas of the city. Urban growth, industrial concentration and traffic density in built-up areas result in multiple environmental problems. The construction of buildings on large areas not only prevents rain drainage but also restricts leisure to a few open spaces. Air and water contamination, noise and traffic emissions, rubbish accumulation and inadequate drainage are extremely serious problems, and the legislation to deal with them is only poorly developed.

Since they are problems of the urban system as a whole, their effects vary depending on the social status of the different neighbourhoods. The quality of services decreases from the centre to the periphery. Water and air quality, by contrast, are usually worse in the centre than in many surrounding areas. Air pollution is still alarming, as a consequence of industrial and traffic emissions. Traffic, in turn, is the cause of 90% of poor air quality (Kohlhepp, 1997).

III.5. Insecurity and urban violence

One effect of massive exclusion – including social and territorial contrasts – and of the existing sharp inequalities is the violence and insecurity that prevails in all the cities of the world. However, in Latin America this cannot be exclusively related to police inability to control crime, but to urban social policies

[23] Data from "Survey of Living Conditions in the Metropolitan Area of São Paulo", Geneva, International Labour Office, International Institute of Labour Studies, 1994, cit. Borja and Castells, 1997: 73.

which should be able to change the serious social condition which causes it. In a context characterised by extreme poverty, social inequality and unfair conditions (Neira, 1996), there is an appropriate environment for crime proliferation, which has obviously increased over the past decade, sometimes rising to alarming levels, as is the case in Mexico City, São Paulo and Rio de Janeiro, or cities like Cali and Bogotá, which are additionally pervaded by drug trafficking and consumption.

It is estimated that in Latin America the homicide rate increased from 12.8 to 21.4 per 100.000 inhabitants between 1980 and 1991. This increase was observed in practically all the countries and sub-regions with cities as their main core.[24]

Feeling permanently under threat, people increasingly fall back into themselves, and communal life in the neighbourhood and the city begins to be lost. The values involved in socialisation and social integration processes also fade away. A secondary effect is the reinforced appeal of privatised quasi-public areas, such as shopping malls, hypermarkets, etc., which favour global chains and affect small- and medium-sized establishments, whether local or national. Another effect is the aforementioned proliferation of closed neighbourhoods and the increasing privatisation of public security. Local and national governments, with meagre budgets, tend to fund public security rather than social policies, the former becoming citizens' primary and main demand.

III.6. Social and spatial vulnerability

The dimension of poverty in some Latin American countries is such that within the same global economic model even sustained economic growth over several decades might not be sufficient to reverse the situation. This being a lengthy process, there are more and more groups which not only see their standards of living impaired, but run the risk of not seeing this overcome by their children, if not of being killed.

Governments admit the existence of these extreme situations but stick to restrictions imposed by social expenditure. Therefore, faced with huge demands, they appeal to a notion of vulnerability which enables them to focus more intensively on the basis of social policies designed to combat poverty. It is a sort of focalisation of focalisation: the most vulnerable groups among the poor are chosen as the recipients of priority care. Another factor could be that these policies may attain an objective other than the mitigation of extreme poverty.

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[24] For instance, in Cali, one of the world's illegal cocaine trafficking centres, a sharp increase in the homicide rate was recorded: from 23 per 100.000 inhabitants in 1983 up to more than 100 per 100.000 inhabitants by the early nineties. Although many homicides may be directly attributable to drug trafficking, others seemed to be the result of the spread of a culture of violence. In 1992, a Program for the Promotion of Security and Peace was fostered, "starting from the principle that prevention should prevail over repression, and after a detailed analysis of crime patterns, the programme was implemented in order to fight crime on different fronts. In 1995, after seven consecutive years of increase (up to a maximum of 120 homicides per 100.000 inhabitants), the homicide rate in Cali finally started to decrease" (World Bank, 1997; cit. Castells and Borja, 1997: 17 and 20).

Rosalía Cortés (1996) puts forward quite a broad concept of social vulnerability in the following terms: “different groups and sectors of society are subject to shortages and dynamic disqualification processes that place them in situations that jeopardise their ability to resolve problems derived from subsistence and from the achievement of a satisfactory standard of living. Fundamentally, they depend on the existence of and the possibility to access basic sources and rights to welfare, paid and stable work, education and skills, free time, security and provision of social services, economic heritage, political citizenship, ethical and cultural integration and identity”.

Social vulnerability refers, therefore, to those groups in society which are exposed to extreme deprivation and identified as vulnerable groups which should be the object of priority care. This is the case of people who, because of their age, the economic cycle or other circumstances, are marginalised from a wage-earning economy at some time in their life and for whom economic support and social welfare programmes are devised. They include children “in particularly harsh conditions” as designated by UNICEF, some indigenous communities whose nature or culture are on the way to extinction and poor sectors exposed to high risk conditions as a consequence of natural disasters or of the social disaster itself.

In designing policies, it is considered that vulnerability and insecurity are reduced by certain material assets such as housing, social assets (relations with other trustworthy people), political assets (alliances), environmental assets (natural resources) and infrastructure assets (highways, transportation). This stance is adopted by some governments in the region, including that of Mexico City. It is presently developing social policies which identify high vulnerability groups for inclusion in a welfare and compensatory scheme. They include the so-called street children, victims of family violence, the addict population, victims of HIV-AIDS, female and male prostitutes, beggars and relatives of prisoners.

It is worth mentioning how dramatically vulnerability was revealed in several Latin American cities when natural disasters occurred. In Central America, Mexico, and Argentina, hurricanes, floods and earthquakes have affected mainly the poorest people.

In recent years, unprecedented tragedies have occurred and no proper response has been made, as a consequence of accumulated deficits in investment and organisation. There have been attempts to attribute this to the lack of a culture of facing natural disasters. Death and devastation in large areas is the result of poverty of their residents as well as of poor public investment in a proper infrastructure.

III.7. Ethnicity and exclusion

In both Europe and in Latin America, the characteristics of ethnicity and race should be taken into account in an analysis of existing social inequalities, since they are very likely to cause exclusion.

In European cities, the non-European labour force (two thirds of foreigners in France, and three quarters in Germany and the Netherlands) are the object of discrimination and xenophobia. They live in neighbourhoods that resemble typical ghettos, making a living thanks to collective protection, self-help and standing up for their identity of origin.

Castells and Borja (1997: 25-126) provide a documented description of this situation, saying: “the tendency to segregation of ethnic minorities appears to have become established in all cities, and particularly in the most developed world cities. Thus as European societies host new flows of immigrants and see their ethnic minorities growing, starting from groups established over the past three decades, the pattern of urban ethnic segregation is stressed. According to the Council of Europe (1993), although London accounts for as little as 4.7% of the population of the United Kingdom, 42% of ethnic minorities are concentrated there. These minorities, living in a few particular areas, are characterised by a lower education standard, a higher rate of unemployment and a wage-earning rate of merely 58%, compared with 80% among whites (Jones, 1993). In the London borough of Wandsworth, which has a population of 250,000, some 150 different languages are spoken. This ethnic and cultural diversity comes on top of the dubious privilege of being one of the British local government areas showing the highest rates of social deprivation. In Gothenberg (Sweden), 16% of residents are foreigners and live mostly in the north-eastern part of the city and on the islands of Hisingen. In Zurich, whose foreign population (particularly Turkish and Yugoslavians) has grown from 18% in 1980 to 25% in 1990, 44% of foreigners inhabit industrial areas of the urban periphery. In the Netherlands, foreigners account for only 5% of the total population, but in Amsterdam, Rotterdam, The Hague, and Utrecht, this proportion ranges from 15% to 20%, and in old neighbourhoods of these cities it rises to 50%. In Belgium, the proportion of foreigners is 9%, but in the city of Anderlecht it goes up to 26% and in the neighbourhood of La Rosée, the most run-down area, foreigners account for 76% of its 2,300 residents”.

These authors caution about the danger of European cities going largely along the path of urban segregation of ethnic minorities typical of American metropolises, although with a different territorial pattern. They argue that the segregated city is one that fosters the disruption of social solidarity, and where in any case the rule of urban violence prevails.

In Latin American cities, by contrast, the object of discrimination is not foreigners, but citizens actually born in those cities or countries where they become segregated.

Alba Zaluar (1994) asserts that in Brazil mixed race people are at the bottom of the social ladder and, although they live in shanty towns, social and urban segregation is weaker than in European or American cities. One reason is that this country received migratory waves of different races and religions but, unlike in other multi-racial, multi-ethnic countries, there were no long religious wars except for the millenarian movement in the 19th century.

About Brazilian cities it may be said that, although there is racial discrimination, it cannot be easily perceived, except that, as in other Latin American cit-

ies, ethnic and racial attributes generally coincide with poverty and urban segregation in insecure and run-down suburbs.

III.8. The limitations of municipal governments

In a market system resource availability is determined by financial availability. This also applies to cities and municipalities. Therefore, the existence of sufficient financial resources is a fundamental condition of municipal policies and its shortage is a serious limitation. But municipalities can make only partial decisions about their income and expenditure and are limited by decisions made by other higher national authorities and international agencies (Reidenbach, 1997).

Cities decide how to set and allocate only a minor proportion of their taxes and charges and are, to a large extent, option takers as far as the investment of financial and capital goods is concerned. This situation intensifies the competition between municipalities as locations for business, for instance, and frequently ends up in a damaging competition for increasingly scarce resources. Privatisation and deregulation, which also appear at the municipal level, deprive them of the abilitiy to make decisions about public services.

The present general crisis of public finance may be seen also as a consequence of the structural crisis and of the international market conditions. The decrease in corporate earnings as a result of structural economic changes and new opportunities to transfer capital and evade taxes, are reflected in an obvious reduction in tax revenue.

At the local level, there are several complex problems associated with the specific financial crisis of municipalities:

- The suburbanisation of high-income groups is doubly prejudicial to central city districts, since they lose their source of income and have to face higher social expenditure. In fact, the suburbanised residents go on using central services and the people that remain in the urban nucleus include a higher proportion of social welfare recipients, as a result of both economic restructuring and unemployment. These districts, therefore, have a lower income and have to afford higher expenditure.
- As a result of the suburbanisation of trade, supply companies and production facilities, cities also lose a portion of income derived from taxes on commercial and manufacturing activities.
- The hypermobility of financial capital and deregulation of trade and customs have negative effects on the municipal budget, since capital transfer may be effected without a link with the locality where companies are settled. Corporations can cut tax liabilities by stating that their headquarters are mere branches and establishing new head offices in countries where taxation is less strict.

The major financial problem at present results from the huge debts that have been accrued in recent years. High financial burdens reduce the manoeuverability of municipalities in almost every public budget area, as well as their ability to contribute toward stabilising the economy.

The evolution of public finance in general and of municipal finance in particular depends mostly on the national economic evolution, which not only determines the amount of income from taxes but also the volume of expenditure. The more unemployment can be reduced, the lower the social costs municipalities have to meet will be. However, the relationship between economic evolution and public finance is not a one-way but a two-way relationship. Investment in public infrastructure is a fundamental component of competition, both to encourage the establishment of economic activities and to develop the economic strength proper to municipalities (Vesper, 1996).

In order to alleviate their financial situation, municipalities must save in all possible areas and seek new sources of income. Instead of the traditional outsourcing, many European municipalities have started to apply an in-sourcing strategy, taking up new tasks in order to obtain resources.[25]

Another question to be solved is financial offsetting between the city and its periphery. Suburban cities are inhabited by high-income taxpayers who take advantage of the infrastructure supply in the urban core but do not contribute toward supporting it.

A paradox can be observed in Latin American cities: on the one hand, municipalities have to face a high unemployment rate, and on the other the spontaneous response to it is the development of the informal tertiary sector, mainly evident in the form of urban peddlers. Even in medium-sized cities which maintain and/or attract new industrial activities, (such as Querétaro, Monterey, Puebla and León in Mexico or up-country cities in Argentina), informal street trade is growing, and their centres have, on a lesser scale, characteristics similar to those in big cities. Undoubtedly, peddlers (who, whatever they are called, are settled) represent an insecure form of in principle illegal employment, since they lack a licence and work in public areas of cities. To gain acceptance or recognition, at best, they go through a process which usually results in confrontation with authorities and/or citizens.

The authorities see this as an activity which is not subject to taxation, while established tradesmen see it as unfair competition (owing to low prices and proximity to customers). The right to a job is therefore brought into confrontation with the regulation of rights to the city. Peddling throws into question the use of public areas for all citizens and the exercise of local authority, obstructs traffic and the visibility of established stores, generates costs without making any payment to the government (street cleaning, rubbish collection, etc.), and creates conditions for increased insecurity in the streets.

Quite often, therefore, local democratically elected authorities are faced with the alternative of allowing the right to work to be exercised in public areas originally intended for leisure, recreation and culture, or of exercising their power and preventing activities from being carried out in spaces whose original pur-

[25] What they do is supply services on the free market at lower prices than private companies, taking advantage of existing institutions and the available staff. These strategies raise criticism from private economic sectors. Businessmen complain that they pay taxes to fund competition from municipalities, and that the latter are privileged, because their supplies do not include all costs.

pose was quite different. This is a difficult dilemma, and solving it may weaken local government in relation to society.

Finally, it is worth mentioning that local authorities usually have no jurisdiction in matters of economic policy, including employment, and thus have no instruments of plans in this field. That is why almost insoluble tensions arise in Latin American cities, unlike the prevailing situation in European cities, where local governments have assumed a critical economic role, having undertaken aggressive development promotion policies.

In Latin America, another obstacle is added to the financial one: the lack of municipal institutional capital and of a tradition of action for local development and of the complex functions involved. The low income of civil servants may become an additional obstacle to the necessary reform and modernisation process of local government. Figures for civil servants living below the poverty threshold were as follows: in Bolivia, Honduras, and Venezuela, 30% to 40%; in Colombia and Paraguay, nearly 15%, and in Costa Rica and Panama, 5%. In Uruguay, by contrast, only 2% of them belonged to poor households.

IV. Universal expectations about the role of municipalities

To face the prevailing social crisis, governments and international agencies have been developing a line of thought based on decentralisation and thus assigning very demanding responsibilities to municipalities in this field. The major outlines of this approach are discussed below. Under the influence of international agencies, it aspires to have an universal scope, although culturally and programmatically it is stamped by the industrial countries' perspective with regard to their own and developing countries' problems.

IV.1. Sustainable urban development

In industrial countries, sustainable urban development[26] functions as a guiding model based on giving priority to the preservation of resources and the environment. It refers on the one hand to the manner in which the city's resources are tapped without impacting on natural sources[27], and on the other to a new form of spatial planning which has been described as "decentralised concentration" and the "compact city".

The sustainable urban development model is thus focused substantially on ecological development, although it balances ecological, economic, and social objectives. The implementation of this strategy has first of all to take into consideration ecological manoeuverability. Through a controlled use of resources and the tapping of renewable energies, a decisive contribution can be made to preservating the environment ("ecological dividends"). The economy has to implement production processes appropriate to environmental conditions and take advantage of the opportunities to cut costs ("economic dividends"). However, the sustainable tapping of resources cannot be done by economic agents alone but requires support from other sources.

In principle, there are two types of planning measures: top-down, and bottom-up strategies. The former may encourage, above all at the national and supra-national level, environmentally-friendly technologies, products and services, and influence some economic agents' decisions through financial policies and the promotion of research and technology. Moreover, municipalities can promote from the bottom-up through cooperation with local and regional agents, and establish conditions for the creation of new jobs ("social dividends")

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[26] Since the Brundtland Report from the United Nations Environment and Development Committee (1987), the concept of "sustainable development" has acquired the value of a paradigm. "Sustainable development" means long-term social and economic development which considers the limitation of natural resources, and of nature's regeneration ability. Furthermore, it considers the issue of distributive justice, specifying that society's needs should not be met at the expense of future generations or of other regions. The task of economy and society consists in harmonising the present generation's quest for well-being and security, with the preservation and development of economic life on natural foundations.

[27] German regulations stipulate, for instance, that the exploitation rate for renewable resources should not be higher than its regeneration rate. Non-renewable resources (energy, land) may be used only insofar as they generate a functional equivalent, under the form of renewable resources, or of a productivity increase of non-renewable resources.

by means of municipal economic development. They therefore have the capacity to act and administer in both “hard” and “soft” areas. They can provide infrastructure, regulations, development programmes (generally on a small scale) and their authorisation and inspection functions, including acting as initiators of a wide range of negotiations between the different business and social agents.

There is general agreement that the economy should be concerned about ecology and that ecological behaviour can be developed under market economy conditions. However, the elements, tools and possibilities of an economic policy at the municipal level aimed at “sustainable development” have not been sufficiently explored, despite the fact that it is precisely in this field of tension between economy and ecology that planning and investment decisions are frequently discussed. By contrast, the obstacles and difficulties have been stated with much greater clarity.

In the United Nations Second Conference on the Environment (Rio de Janeiro, 1992) serious questions were raised about the paradigm of growth followed so far, and Agenda 21 was approved. Chapter 28 of this document calls on municipalities to contribute to the implementation of the programme, setting a deadline (1996) for most municipal governments from different countries to hold discussions with their citizens in order to reach an agreement on Agenda 21 at the municipal level, i. e., to prepare a local ecological, social, and economic development programme with citizens' participation.

The sustainable development model requires that cities in industrial countries prepare, based on their high technological, scientific, and economic standards, a viable development model which, through a change in behaviour and forms of production, permits ecological growth in other areas of the planet, too.

The regional perspective may be very useful in demonstrating how the sustainable tapping of resources may be implemented. Regions are decentralised networks and represent an opportunity to minimise flows of materials and energy and to adapt economic activities to the natural circulation of material. Moreover, the region implies cultural plurality and a plurality of products and skills.

Sustainable tapping therefore usually means the re-regionalisation of economic activities. Advocates of this model argue that products can be consumed and produced in a “more sustainable” manner within their region of origin. Cities and regions are considered to be the most appropriate entities for initiating and encouraging some forms of sustainable resource-tapping, since decision-making processes are more transparent in those areas than at higher levels. They argue that if economic units decided in favour of goods produced in the locality the production chain and transportation would be reduced, and that this in turn would cut the flow of materials and reduce traffic. Finally, more buoyant regional economic activities would contribute to the creation and maintenance of jobs. The revalued region as the area for sustainable development is partly a reaction to the adverse effects that economic restructuring and globalisation have produced in many regions.

Through the implementation of several pilot projects, the following objectives are expected to be reached:

- strengthening of the region through the development of concepts that take into account the ecological and economic advantages and disadvantages of a region as a starting point for its possible future development;
- the tapping and extension of available resources through the establishment of some forms of dialogue and cooperation between business, municipalities and scientists; and
- the reduction of material flows, giving priority to local services and production and promoting regional enterprises and their interrelation.

There is believed to be potential for sustainable regional resource-tapping, particularly in the areas of hydraulics and energy, the use of forests and agriculture but also in areas such as construction, tourism, food production and waste recycling.

However, it is not possible to control, at the regional and/or municipal level, the profound economic causes that have led to an unsustainable spatial division of labour, i. e., low transportation costs and the low priority given to environmental expenditure in the production and distribution of goods. Furthermore, one question remains to be answered: whether re-regionalisation of the economy might not conflict with certain ecological objectives. Though on the one hand transportation would be reduced in this way, on the other the areas exploited would expand.

The implementation of sustainable development requires that innovations play a strategic role in the resolution of conflicts of interest. Innovations may be technological (production processes, and output) and social (change in lifestyle and behaviour). Third, there are institutional innovations, i. e. new regulations (environmental planning), and organisational forms (regional networks, forums) that lead economic processes along new paths.

The latter type of innovation is very important from the municipal point of view. Cooperation networks between the different agents are frequently considered to give the decisive impetus to the development of initiatives toward sustainable development. Here, municipalities can give the starting signal. Cooperation networks are useful, for instance, for establishing interaction between business and administration or cooperation between scientists and regional agents. The need has also been underscored for the different administrative areas to co-operate more closely with each other.

Agenda 21 urges social agents as a whole to assume their responsibility for the future and to co-operate to achieve sustainable development. Chapter 4 refers to the need for change in patterns of consumption and mentions a series of objectives and measures aimed at increasing production efficiency and prompting a change in consumer behaviour. It is also affirmed that municipalities and the economy are the main agents in this process.

In practice, daily cooperation is being developed between representatives of business and municipalities. Each side has expectations of the other. Businessmen expect municipalities to provide them with favourable conditions for locating there, with good infrastructure, low taxes and rates, an open and sympathetic approach from political and administrative authorities and public rec-

ognition as generators of employment. Officials from cities and municipalities, in turn, expect the private sector to assist in the creation of jobs, to contribute taxes, to invest in urban development and/or to participate in municipal projects.

As regards the implementation of Agenda 21 at the local level, it remains to be seen whether the decisions and agreements made have a positive impact on sustainability, and whether or not conflicts of interest can be solved through communication strategies.

Six years on, cooperation between municipalities and economic agents aimed at the implementation of a sustainable development concept has increased, although it is still insufficient. Municipal officials believe, in general, that the development of new forms of production and consumption depends mainly on industry and trade. On the other hand, the failure of business to take initiatives is a response to the failure to consolidate Agenda 21's objectives at the local level, to the low priority given to it in local policies and to the lack of communication between economic agents and those involved in the Agenda. This is very far from being satisfactory, particularly considering that economy, which could be seen as the "fundamental determinant" of urban development, is compelling cities to make increasingly drastic adjustments in response to the global tendencies reviewed above. Should economic agents fail to become consistently incorporated, Agenda activities will end up being mere ornaments to municipal policies.

IV.2. The outcome of the Habitat II Conference

The Habitat II Conference[28], held in Istanbul in 1996, dealt with the issues connected with the different aspects of human settlements. It concluded that in order to ensure natural foundations for human life, a world strategy is required which should be geared to economic growth, social justice and ecological balance.

In spite of reservations raised by many developing countries, which had already adopted a critical stance with respect to the outcome of the Rio Conference, an agreement was finally reached on this point after industrial countries showed their willingness to recognise their own responsibility in this respect. The Northern states committed themselves to introducing a pattern of production and consumption in their cities which conforms to this strategy, to increase energy efficiency and to foster a "short distance city". Only after progress has been made in this area can stronger recommendations be made to developing countries about this type of urban planning and development.

Habitat II was the first UN conference in which cities were substantially involved, and mention was made of the need for global cooperation. Participating states advocated municipal autonomy, decentralisation of responsibilities and allocation of the necessary financial resources to municipal councils. They

[28] Habitat II was the second world conference called by the UN General Assembly. More than 20,000 delegates from 150 countries attended.

therefore adopted an initiative to encourage the setting up of communities with a democratic and transparent administration open to citizens from all over the world.

Two important documents emerged from Habitat II: first, the Habitat Agenda, including a list of principles and obligations, and a plan of action unanimously approved by participants; and second the "Istanbul Declaration", which was discussed and approved by heads of state and government or their ministers, who met for the closing of the Conference.

The **Habitat Agenda**: This is a common programme of action for all United Nations member states, which includes five main paragraphs:

1. Appropriate housing for all: there was no agreement that the "right to housing" is an inalienable human right. The United States opposed that interpretation and a compromise was reached about incorporating into the Agenda "the aspiration to appropriate housing and infrastructure as a human right", defining the supply of water, electricity and sanitary installations as minimum requirements.
   In order to achieve this objective an appeal is made to the initiative of those concerned, but also to other institutions to act. Governments have the main responsibility only in terms of establishing proper conditions. This is a remarkable change from the outcome of the Habitat I Conference (Vancouver, 1976), where government actions had been given greater importance.
2. Sustainable development of human settlements: the objective of sustainable urban development is the creation of an appropriate economic and social foundation to meet the needs of an urban population undergoing a process of rapid growth, without adversely affecting the ecosystem. The Agenda includes differentiated priorities for action for developing and developed nations (cf. Cap. V.1)
3. An increase in capacity of various kinds and institutional development: measures aimed at financial, staffing and institutional improvements are summed up under this item. Cities will achieve greater development provided that there is progress in the following areas:
   - strengthening democracy and greater participation, particularly for women;
   - improving the efficiency of local administrations;
   - improved access to modern forms of funding to build housing and the municipal infrastructure;
   - increase in technology transfer;
   - better training and exchanges between officials and experts.
4. International cooperation: new aspects to be stressed by international cooperation on development are set out here. It also stipulates that international trade, finance and institutions should be more sensitive with regard to "sustainable urban development".
5. Implementation: this includes an agreement on the rapid implementation of actions in participating states. There was more concern, however, about specifying the future role to be assigned to UN agencies in implementation.

The **Declaration of the World Assembly of Cities and Local Authorities**: The World Assembly of Cities and Local Authorities (AMCAL), held on 30-31 May in Istanbul, gathered around 500 mayors and local leaders from more than 100 countries from all over the world. The World Assembly was organised by the Executive Committee of Local Authorities for HABITAT II (G4+), consisting of ten international and regional organisations of local authorities which worked together in preparing a presentation to HABITAT II.

The World Assembly prepared a Declaration to be presented to Habitat II, urging the UN and its member states to recognise and foster the vital role of local authorities in order to achieve the two goals of the summit, and to make policies and devise actions to increase this role. This Declaration was presented at the summit on 4 June, and the delegation of local authorities actively participated in the conference and in the final negotiation of the Habitat Agenda adopted by heads of state at the conclusion of this event.

The most relevant issues to the present paper are as follows: Participants share the view that:

- "the world should revise manners of thinking and acting, for the purpose of implementing viable, solidarity-geared, healthier, and safer human settlements";
- "the city, as a fundamental site for interaction and social exchange, should be recognised as the pivot human settlement, around and inside which, durable growth and development, well-being, and social cohesion will be decided for most populations, an adaptation and technical, social, cultural, and political innovation ability for our future, and a renewed mission for the progress of humanity, and the evolution of our civilisation";
- "all efforts should be made in order that cities become more concerned about social integration, and the struggle against exclusion, in order to avoid that social links are weakened or ruptured, and to jeopardise the feeling of belonging, and the notion of citizenship. This should include actions aimed at committing all sectors and social groups in the process of municipal government, including budget preparation".

Delegates to the World Assembly of Cities and Local Authorities committed themselves to:

- "taking up an active role in response to challenges to which humanity is confronted, and to fight poverty, ignorance, intolerance, exclusion, insecurity, degradation of the environment, cultural uniformity with resolve, and promote and strengthen the action for rights and well-being of children, which should be considered the most appropriate indicator of a healthy society and a good government".

Finally, participants requested the following from the international community:

- “recognition is given to the place of direct cooperation between cities and local communities, in international cooperation, that said cooperation is included in bi- and multilateral programmes intended for cooperation and aid to development, and that significant resources are allocated for their development”.

(Habitat II, World Assembly of Cities and Local Authorities, Istanbul, 30-31 May, 1998 – Draft Declaration)

The Istanbul Declaration: The Declaration mainly refers to the joint responsibility assumed with regard to cities, i. e. the environment where people have to find housing, employment, and social support in decent conditions. It further mentions the need for protection against risks of disease and violence. The Declaration also includes the outcome of the Rio Conference and its signatories declare that they jointly assume responsibility for ensuring that cities and other settlements do not destroy their natural resources, land, or the environment.

IV.3. Urban management

To a greater or lesser extent, cities are characterised by social and spatial polarisation, which has been intensified as a consequence of globalisation and the structural crisis of municipal finance since the early 1990s. The financial crisis has given impetus to initiatives first voiced a long time ago, aimed at redefining and reorganising municipalities under a model that disregards the local welfare state version and aims, by contrast, to modernise the “business city”.

What is at stake is the transfer of industrial management models – such as “lean production” – to municipal institutions, either through monetisation or privatisation. Such initiatives are supplementary to certain business strategies which have found an access to municipal policies in the 1990s (urban management, corporate identity, public-private partnership).

This restructuring implies a new role for municipalities with respect to local agents. Procedures are emphasised which aim at modernisation, cooperation, and the building of consensus. Two extreme forms of local post-Fordist policies may be pointed out: selection and participation. “A selective local policy is geared to prosperous urban development without regard to the living conditions of large population sectors and without reacting against social exclusion, while a participation policy aims at urban development which minimises marginalisation by means of the putting the highest possible number of agents into action” (Keil, 1997). In the latter case, it is necessary to look beyond the material dimension of urban evolution and to interpret and implement municipal policy in the age of the global city as a discursive process.

In many cases the local reaction to global challenges has been a change of identity. There has been a move from the idea of administration as a sort of extension of the nation-state to new forms of management such as “urban management” or the “business city”. These currents are focused on international and inter-regional competitiveness, and in order to increase local appeal they implement selective strategies. Such policies depend on strong investment

and on a supra-regional spread of the city, which, in turn, is expressed through significant infrastructure projects and on through the organisation of major events such as festivals, exhibitions, etc.

The globalisation label is also used to develop a form of urban policy whose object is to set new conditions which encourage internationalisation. The corporate concept of urban development is expressed, for instance, in attempts to accelerate decision-making processes and reduce the administrative apparatus, and in the establishing of a coalition with the private sector, intended to improve the city's advantages as a business location. The traditional distribution policy is being dismantled, while the interests of large population sectors are being ignored.

When holding events and great festivals, the city and urban development policy are turned into instruments of global competition. Post-modern architecture occupies public areas in city centres and the infrastructure is designed to meet the needs of high-mobility, high-income groups with a high consumption of cultural goods. This is how the "winners' area", and with it the image the city wishes to project of itself are formed (Friedrich Ebert Foundation, 1996).

This gives rise to the danger of a policy of selective privileges which pays attention only to the private interest of an unconcerned elite. If the marginalisation of broad sectors of the population or the uncoupling of some areas are finally accepted, the end of mass society could mean the death of the social idea. Decentralisation, private initiative, and self-help thus acquire a two-fold role: on the one hand, as a vital necessity for those who have no other way of making a living, because they have fallen through the holes in the social security net; on the other as a privilege for those who can pay for everything they want.

The privatisation of public services and spread of voluntary organisations in the area of social welfare are further advanced in the United States than in Europe. But a reduction in the supply of public services and the transfer of public responsibility to private agents is discussed in both contexts as a new form of voluntary work aimed at replacing state institutions. The constitution of a parastatal apparatus in this sector to meet certain middle-class needs rather than those of the poorest sectors implies the erosion of the welfare state. The main argument for this restructuring of the public sector, mainly conducted at the municipal level, is that private agencies are more efficient, flexible, willing to invest and to adapt than are traditional public sector organisations. The disadvantages and the danger of social division would be offset by positive aspects such as plurality of supply and attention to specific needs.

It might be argued that the selective privilege of groups best able to articulate their needs tends to become a characteristic of the post-mass society state. The new emphasis given to the intervention of private agents in urban development in the form of public-private cooperation reflects the same tendency. Politics is thus changing its relationship with society. Large social institutions are losing significance and being replaced by a tendency to form a social micro-corporatism characterised by competition between particular groups and regions that gradually lose contact with each other. The Fordist mechanisms of integration (collective well-being, progress, and equality) give way to a

process of social fragmentation, competition and individualisation. This leads to the de-politicisation of politics, whereby its primary objective of general well-being and the public interest changes gradually into a defence of private interest and privatisation (Hellbrecht, 1994).

IV.4. Participation and civil society

The pluralism and dynamics of urban society make it a significant integration mechanism in the age of globalisation. The challenges to be faced by globalised urban society require new regulatory mechanisms, new forms of management and a new type of local government. Contrary to the current opinion that globalisation is the reason why local governments are corrupt and conditioned from above, the idea emerges that the need for self-regulation of conflicts in local civil society contributes toward producing differentiated municipal structures. However, if globalisation is disregarded, it becomes clear that present urban society is an outcome of long-term trends in capitalist development (Lefebvre, 1991).

The withdrawal to private life is offset by a movement to rediscover community, which is particularly evident in Anglo-Saxon countries. Far removed from the postulates of theories of selfishness, people seek roles and occupations that allow them to develop their social responsibility, constructing a new quality of urban life articulated through public dialogue and community forums. Citizens' action is considered to be the most effective motor for the modernisation of municipalities, which is useful not only to the system, but above all to citizens themselves. Moreover, the public sphere is seen as a revitalising energy of state institutions.

In 1990, a commission presented a report on relations between public administration and citizens in Britain. This was followed by the Citizen's Charter, expressly guaranteeing and extending citizens' rights vis-à-vis the administration. In 1992, France and Belgium adopted similar guarantees, particularly concerning the administration's quality standards with regard to citizens. In Scandinavia and Britain, broader initiatives are under discussion, aimed at increasing participation and decentralisation. "Rethinking Citizenship" is the motto calling upon women and men to develop an interest and get more involved in community management, based on the idea that assuming responsibility may be a form of self-fulfilment, since those who are ready to do so get more out of life.

In many German cities there are initiatives to encourage more active participation by citizens, including the following aspects (Hill, 1998):

- Training citizens for participation: in order to take part, people need full and qualified information, which should be easily available and stimulate them to participate. Basically this is a sort of municipal education, of dissemination of knowledge about the city, intended to equip people to deal with it and its different bodies. One example might be regular municipal reports, similar to corporate balance sheets. It is also necessary to improve traditional forms of communication, i. e. municipal services and information centres.

- Thinking from the citizens' point of view: citizens and traditional bureaucracies think and live differently. Citizens care about their way of living as a whole, not compartmentalised into administrative units. Separate facilities, offices, and citizens' centres are being established to deal with these areas.
- Providing services: caring for clients is fundamental to management and service supply. Although dealing with individual clients may not be the object of primary consideration, considering their needs and interaction with them is a crucial condition for improvement of any service, since there is no finished product in this field.
- Taking advantage of citizens' knowledge: citizens have a wealth of work and life experience. They have worked at home and in businesses, they are clients of private companies, beneficiaries of public services, use facilities, and can compare them with others whenever they travel on business or pleasure. Through interviews or questionnaires, this knowledge may be better taken advantage of, and applied to municipal development.
- Providing support to citizens' projects: the city council does not have to do everything. Many tasks can be accomplished better and more economically by private individuals. This not only relieves municipalities from excessive work, but also enhances participants' identification with the community.

Thus urban policy goes beyond municipal policy, since the policy for the city is developed in the intermediate sphere of civil society. The definitive criterion of such a policy is rooted in the process itself, in the act of intervention. Urban policy, therefore, has no fixed scenario but refers to a range of methods of action which impact on the regulatory mechanisms of municipal policy, articulating global issues so that they are reflected as local issues.

The urban set-up has always been polarised, comprising contradictory elements which had to be integrated (e.g., in the past, the proletariat and bourgeoisie). Present social contradictions and fragmentation raise new problems for urban policy. Socio-spatial contradictions should be aired publicly, become more moderate and civilised, be discussed and decentralised (Keil, 1997).

Local policy-makers are faced with the challenge of devising a new concept of urbanism that takes account of existing contradictions. The state must play an active role in shaping the production and reproduction of urban life. Municipal regulations are those which change municipal politics into an urban political form linked to specific local issues. "Urbanism" is still the appropriate term for describing the citizens' perspective of local politics, and refers to the reflexive potential of the modernisation, democratisation, and civilisation of social contradictions. Urbanism may be therefore interpreted as a social movement that has survived for centuries, characterised by people making a more or less conscious effort to create a world for themselves. The political self-constitution of urban society acquires a new quality in the age of global capitalism. This quality is apparent in "global cities". Some Anglo-Saxon examples show that the management strategies of certain neighbourhoods, involving intermediary groups', and strong resident participation, have resulted in innovative integrated

projects in marginalised areas, which are a living example alternative economic ideas to accelerated growth (Friedrich Ebert Foundation, 1997).

IV.5. The fight against poverty

Although considerable differences exist between cities in Western Europe, their common characteristic is that poverty is a complex issue involving a serious social, economic, spatial and ecological impairment of living conditions. North American cities are even more segregated than most European cities.

Initiatives to fight poverty differ from country to country in terms of their contents, duration and general conditions, although there is agreement that, irrespective of the minimum social security that can be guaranteed by the State, integrated action is required to:

- attack the causes of poverty reproduction, i. e. structural discrimination of some population groups in the labour and housing market, as well as their social marginalisation and their lack of involvement in decision-making and planning processes;
- co-ordinate different political areas, beyond the limits of administrative spheres;
- directly reach the area and the group at which they are aimed;
- mobilise the resources and potential of public, private and welfare agents and promote co-ordinated action; and finally
- encourage residents' involvement and activate both self-help and neighbourhood cooperation.

The EC's Europe 2000 report (1991) clearly notes that the accumulation of problems in poor areas of cities is a phenomenon found throughout Europe, and one which should be taken into account by the Community's development policy: "In many cities, there are areas pervaded by poverty and the ensuing lack of opportunities for economic development. These problems are observed both in the centre and in the suburbs of cities, and in satellite cities around large built-up areas ... The Community should assume greater responsibility for issues connected with urban poverty and marginalisation" (European Communities Commission, 1991: 139; 202).

In 1993, the EU devised a series of community strategies for the fight against unemployment and social marginalisation. In 1994, the URBAN Programme was approved. Its aim is to improve conditions in urban areas affected by complex problems, located in built-up areas with 100.000 residents upwards. A total of 350 to 400 such areas have been identified within the sphere of the Union. Irrespective of public resources, the need is underscored to mobilise private resources and start up social innovation and new forms of association. Some 50 projects were declared eligible for promotion between 1994 and 1999 within the framework of this programme.

IV.6. The development of city networks[29]

Starting in 1985, there has been a boom in city networks, and during the present decade they have become a quasi-obligatory strategy for most large and medium-sized cities.

The main objectives of city networks revolve around the need to:

- Structure a lobby system vis-à-vis third parties;
- Consolidate certain territorial, economic, political and demographic areas, large enough to generate and take advantage of economies of scale and agglomeration, and to develop infrastructures and key activities;
- Achieve inclusion in the international system, so as to permit access to and use of an increasing volume of information, and the exchange of experience and technology;
- Gain access to leadership functions;
- Promote the inclusion of cities in wider areas of activity.

The interest and involvement of some international agencies in city, regional, business and other networks has also strengthened their use as an instrument for inclusion in international financial systems. Ultimately, city networks are seen as an instrument and mechanism for promoting urban centres.

Networks of cities and regions have been rated very differently, based on such criteria as the sphere of cooperation (spatial area of activity), functions (lobbying, technology transfer, and positive experiences which act as catalysts for the development of local economies or agents in the generation of international economic cooperation), origin (networks built on the basis of existing informal relations and of complementary interests, whether by external agents [EEC] or on the initiative of members themselves), characteristics of their members, etc.

For cities, participation in networks is part of their strategy for becoming part of the international environment, and a means to improve competitiveness. No advantage or disadvantage is absolute and valid for all the networks or all their members. In principle, the main positive aspects of city networks can be as follows:

- Networks allow their members to gain entry to a higher system of relations.
- Networks allow access to large volumes of information.
- They become consolidated into a mechanism for the development of foreign policy, promotion and a city's image.
- The network strategy is a great ally of the functions of leadership and image.
- They may serve as encouragement to the internal development of standards of living and competitiveness.
- In a world subject to a fast pace of change, networks ensure some continuity in the line of activity over time, because the existence of external commitments enables specific contingencies to be overcome.

[29] Discussions in this and in the following section are closely based on papers written by Borja, 1997, and Borja/Castells, 1997.

Networks break up the rigid model of regional and state grants in favour of an area where individual interests are acknowledged across different regional spheres, in which cities and regions become active agents in the construction of an international area, accepting the network rather than the pyramid logic. At the territorial level, networks start a new form of territorial organisation which establishes new organisational criteria. Regional areas are thus structured according to urban cores and not by administrative boundaries. The superimposition of networks and therefore of relationship areas adds a further element of complexity to these new organisational tendencies. The new territorial organisation emerging is based on flows and is defined by agents, i. e., in this case cities.

City networks are consolidated into a system for direct participation by cities in the construction of a world where traditional international regulatory systems are mostly incomplete. On the other hand, networks can also form a complementary system of international solidarity and for the application of redistributive policies, insofar as they result in the dissemination of aid, best practice and technology from the most dynamic and advanced urban centres to those undergoing development problems or economic and social crisis.

Along with these clear advantages there are also some problems and difficulties. The large diversity of situations, types of organisation etc. of different cities gives rise, in some instances, to conflicts of interest which jeopardise continuity and the results of cooperation. Difficulties in uniting the different scenarios delay the development of common projects. This framework, which is full of contradictions, indicates that the main beneficiaries of city networks are basically the most powerful members.

Networks have, ultimately, an important role in improving the competitiveness of the cities of which they are made up. They are, in fact, the most appropriate instrument for achieving inclusion in a system which tends to operate globally as a network (Borja, 1997).

V. The scope of urban social policies

V.1. To alleviate social problems or to tackle the urban issue?

The global extent of massive poverty limits the alternatives of high- or medium-income European and Latin American cities, since their workers, having been disqualified by the technological revolution, now have to compete on the world market with hundreds of millions of workers who are ready to accept very badly paid jobs. As acknowledged by the World Bank, "... globalisation affects the relative scarcity of different types of knowledge, and salaries to which workers can aspire (...). The increase in competition means that, unless countries can match the productivity growth of their competitors, workers' salaries will be cut. Over the next ten years, the most vulnerable groups will be: non-qualified workers from medium- and high-income countries (...) because of the increase in competition with countries whose production costs are low, and whole countries (particularly in sub-Saharan Africa) which lack either the required dynamics to offset the effects of increasing competition and be as efficient as their competitors, or the required flexibility to start to produce other goods" (World Bank, 1995 b).[30]

However, while this would impact on some sectors of urban society in European cities, Latin American cities would suffer a much deeper and more extensive impact, affecting their functioning as urban systems, both because of a lack of support from their context-countries and of the magnitude and acceleration of these negative social phenomena.[31]

The case of Latin America dramatically underlines that, in general, the urban issue is not limited to caring for the poorest, but includes **democratic governance, dynamic competitiveness, and sustainable human development**,[32]

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[30] This argument contains a fallacy: if competitiveness requires that the costs of tradable goods are lowered, salaries will inevitably be reduced, either successfully or not, unless rules for the distribution of profits from higher productivity start being applied differently. And this would mean a more drastic change in the present capital accumulation system on a global scale, although this aspect is not mentioned.

[31] Borja and Castells (1997) note that "... the deepest social exclusion processes are shown in a dual intra-metropolitan characteristic, particularly in large cities from almost every country (...) In different areas of the same metropolitan system, there exist, without being linked and sometimes even seen, the most and the least valued functions, social groups producing information and owners of wealth, contrasting with excluded social groups, and people in the harshest poverty" (p. 60)
The deep duality is shown in two complementary models of reasoning and management: an "upper city" (for which there is strategic planning and agreement, privatisation of services, public investment policies in infrastructure to ensure competitiveness) and a "lower city" (to which such concepts as governability, focused social policies, self-help, and self-management are geared). The two cities are connected through unequal and asymmetrical exchanges, and also through complex symbolic relations, where "the threat of violence from below" coexists with "the philanthropy of donations from above" (Coraggio, 1998).

[32] See Coraggio (1997), "the challenge may be expressed as finding a proper form to combine and concretise three strategic objectives: dynamic competitiveness, or a long-term one, in a global economy where the market, its power structures, and its institutions tend to impose (...) the priority of macroeconomic balances above the active promotion of efficient microeconomic structures; sus-

three challenges which will accompany the upcoming decades of urban management within the global restructuring process both continents are experiencing.

Poverty tends to become an urban, structural, phenomenon. Urban poverty – absolute or relative – implies that in cities there is a sector of society which is below certain standards of income and/or of direct access to means or living conditions deemed to be essential in modern-day society. In a mixed-economy society, money income or direct access to public or quasi-public goods are means of fulfilling citizens' identity as consumers: income to buy at the market, or access through distribution by political or social mechanisms.

In this vision, the quality of life of a population or group could be defined by the extent and quality of their consumption. On the other hand, at the global level, defining a standard of living and aspiring to reach it by extending the style of consumption of the higher-income classes and societies would increase ecological imbalances to hitherto unknown limits, threatening the material foundations of human society.[33] However, standard of living is also a function of the quality of social relations and the habitat, which are indivisible and cannot be acquired as if they were merchandise (although they are reflected in the price of urban residential property).[34] As a consequence, the social issues of cities cannot be solved incrementally through micro-interventions by civil society or through public welfare programmes, but require sustained public actions, at the interface between the state and society and with a civilising and inclusive aim.

Exclusion from consumption is one aspect of the social question, but in a society which increasingly defines itself as a market society – i. e. one which turns all relations and abilities, including work, into marketable objects – another aspect is the issue at the centre of this question: exclusion as a producer. In the context of the techno-organisational revolution the market fails to recognise a large portion of the population, whether qualified or not, as full members,

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tainable human development, in the context of a system which despises social and natural balances (...); governance, in the context of a political system where formal institutions of democracy and electoral competition tend to bring back the manipulation of popular majorities ..." Borja and Castells (1997) argue that „the strategic importance of local aspects as the management centre for global issues in the new techno-economic system may be appreciated in three major spheres: economic productivity and competitiveness, socio-cultural integration, and political representation and management".

[33] According to UNDP (1998) "...world consumption has increased at an unprecedented pace over the 20th century (...). The benefits from this consumption have been largely disseminated [However], present consumption undermines the resource environmental basis. It exacerbates inequalities. And is accelerating the dynamics of the consumption-poverty-inequality-environment connection" (p. 1). On the other hand, Mitlin and Satterwhite (1994) point out that consumption levels between northern and southern cities are very uneven. Unlike the case in developed countries, southern cities have, on average, much lower levels of resource expenditure, and waste of energy. In particular, Third World low-income homes generate smaller amounts of rubbish, recycle or reuse glass, metal, and paper; build their homes with recycled material, travel by bus, ride bicycles or walk as their means of transport.

[34] If social conditions in cities of this network cannot be levelled upwards in consumption terms, this does not imply that they should be levelled downwards. It would be advisable to enhance the quality of living of all, while reducing goods consumption levels.

since they are redundant from the point of view of capital profitability. Consequently the majority are excluded from the main integration mechanism in a market society. Those who cannot participate in the social division of labour by selling their labour on the market become outcasts or are forced to live on the margins of society.[35]

The outcasts are thrown into a world bereft of laws where need, insecurity, tribalism and the fight for survival prevail, thus statistically increasing "anti-social" types of behaviour and anti-sustainability, which are seen as a source of threat to urban "society". The existence of a broad sector deprived of their citizens' rights and turned into a "clientele" and a pliant mass for electoral manoeuvrings shows how incomplete democratisation processes are. This – apart from the immorality of such a society and the consequences for the common sense matrix of trying to justify it – adversely affects governance, competitiveness and the sustainability of the system as a whole.

All the while public policies are aimed only at re-establishing a certain consumption capacity to those who have been cast out, without re-incorporating them as workers, the social question will merely be kept under control in terms of its political effects, but never solved.

This issue is an issue for government, since it requires interdepartmental policies based on a broad socio-political consensus, going beyond specific administrations. While the European Union has made significant progress in understanding the need to link continental with national and local interests, in Latin America the globalisation process is still weakening the connection between societies and local governments on the one hand and national political bodies on the other. The latter are more concerned with external than internal requirements in order to achieve governance and to legitimate their power. Insofar as this extroversion is justified by the inevitability of the forces of global change and the indisputable power of its agents, citizens are confined to the role of option takers. Once the internal dialectics of legitimacy and responsibility for the exercise of power are broken, it is less likely to be national politicians who take the initiative to create the framework conditions for social change at the urban level.

By contrast, from the large metropolitan areas of the sub-continent, where local governments are faced daily with these problems, forces may arise which counteract those which command macro-economic policy.[36] It is therefore nec-

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[35] This phenomenon is in no way exclusive to Latin American societies. Murmis and Feldman (1992) point out that in the United States, the fall in employment in the industrial sector and the loss of more favourable labour conditions for workers with low formal qualification has affected some working class sectors that used to be in a sound position. "Although the effects of restructuring were felt in the U.S.A. and England more strongly, owing to the type of neo-liberal policies applied there, also in other countries (...) the emergence and growth of a type of poverty different from the more traditional irrecoverable one was observed. Thus (...) in France, it is pointed out that social welfare offices started to work around 1980 with new customers (...) affected by unemployment, working day reductions, a lower purchasing power; astonishingly, these people were in a phase of full social promotion, open to consumption" (p. 52).

[36] See Coraggio (1997).

essary to contest the prevailing view, which restricts the perspective of what can be done by local government while at the same time idealising it. The perception that the Keynesian system has lost its validity takes socio-political and even scientific thought back to the hypotheses prevailing in late 19th and early 20th century. According to them, state policies on social issues are compensatory, specifically *social* actions,[37] i. e. actions that are not related to the supposedly separable worlds of economics and politics.

According to this view, the role of the community and voluntary work are revitalised [38] and local social programmes are implemented within economic and political structures which are assumed to be set at another level. The issue of social policies apparently becomes a local issue, one of efficient management with scarce resources by means of decentralised sectoral programmes or specific actions to meet the most urgent needs or the most threatening demands.

This network of cities plans to work jointly, defining priority and fruitful courses of action in order to achieve an innovative approach to the grave social conditions resulting from global restructuring. There is, therefore, consensus about cities being both part of the problem and of the solution.[39]

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[37] Kusnir (1996) points out that according to the early opinions with respect to the issue of poverty in England late in the 19th century, this poverty was not connected with the economic system. Poverty and unemployment were understood as an individual problem. "The initial state actions in this sphere (as in the 1834 Law for the Poor) implied (...) semi-criminal institutions where those "structural" poor were taken care of, or rather, banished. (...) The evolution of the concept of poverty as a phenomenon, then as an issue, and later as the object of a social policy, was a process of change in the type of state management" (p. 26 and 27).

[38] Salamon (1993) believes that in recent years, an "association-geared revolution" has taken place all over the world, with the massive emergence of non-profit associations. The welfare state crisis (implying the discrediting of governmental programmes, and cuts in public expenditure) led to the search for other ways to solve public problems. Although the majority of these organisations were created "from the bottom up", the Reagan and Thatcher conservative administrations in the USA and the UK, respectively considered voluntary work as a core part of the public social expenditure reduction strategy. According to Salamon, the determining factors in the emergence of non-profit organisations as an alternative to the provision of state services are: small scale institutions, flexibility, the employment of volunteers, and private funds. Reich (1992) points out that few nations underscore the role of volunteers as the USA does. However, these forms of charity rarely help the poorest. A large proportion of contributions are intended to help institutions whose target population is the social sectors to which donors belong (p. 279).

[39] This is undoubtedly ambivalent: "[these factors] might seem to show that cities work well. The urban population increase is fostered by the perspective to get a job and higher income. Evidence shows that, to a large extent, these expectations have been fulfilled. Personal income of those who emigrate from rural to urban areas usually increases (...). However, cities have not fulfilled the promise to improve living standards, as much as they could. Increasing violence comes on top of the more traditional problems which impair the standard of living in cities. Deficiencies in services have an impact on productivity of economic activities in cities; in general, furthermore, they affect the poorest disproportionately". (World Bank, 1995a: 1). In Latin America, the urbanisation process may not boil down to a demographic issue or to proving that cities are a superior form of social life, but it is connected with economic restructuring mechanisms which not only fail to turn cities into a motor of the new style of development, as was affirmed in the industrial age which is coming to an end, but into reservoirs of a social issue which appears to be urban and local, despite being systemic.

This paper advocates the idea that such challenge requires, as has been recently suggested[40], the possibilities of local action to be enhanced through urban alliances and/or networks, but that it is crucial to define a common paradigmatic direction for such actions. Specifically, it argues that it is essential to work with a strategic horizon that assumes *the resolution of the urban question* as a whole.

On this basis, although this network is founded on a social approach, the URB-AL project may help to position civil societies and urban governments as distinct agents in defining deadlines and ways to resolve a systemic question that goes much deeper than welfare actions to the most deprived sectors.

V.2. Social policy and economic policy

Social policy is usually defined as "the set of measures and institutions whose objective is the population's well-being".[41] Economic policy, in contrast, is focused on another objective: growth, profit, or capital accumulation. Arguably, while the former is focused on social balances, the latter is focused on economic balances. This inevitably leads to the idea of a static trade-off between social and economic objectives and to calculation of the economic cost (what would fail to grow) of social objectives, or to the inevitable dynamic sequence: "first growth, then distribution".

However, economic processes and economic policy as part of them produce effects and social structures, inasmuch as they change or develop organisations, classes and social relations.[42] They even affect the emergence of new value systems, visions of the world and rights.[43]

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[40] The Rio Declaration (United Nations, 1992) stresses the need that associations of cities and local authorities enhance cooperation and mutual co-ordination, to the end of sharing experiences and information, in order to improve their residents' standard of living.

[41] See Laurell (1995: 177)

[42] "Stabilisation policies do not act on an abstract entity, but on a specific economy which produces, consumes, saves, invests, and chooses techniques to produce, and criteria to distribute. They act, therefore, on people..." Dutra Fonseca (1995: 32); Tenti Fanfani (1993): "Recent economic changes [in Latin America] may not be understood as a set of isolated phenomena. They are neither the natural outcome of the "logic of things". All the dramatic changes that occur in the operation of the national economy are the result of a political will, and of a certain relation of forces" (p. 24). ECLAC, in Panorama Social de América Latina 1997, believes that "as a result of the prevailing distribution of income in Latin American countries, the region is considered to be, from a world perspective, one of the most backward ones in terms of equity. In many cases, also, the crisis in the eighties and the economic reforms have given way to a more serious impairment in that distribution profile". Fioussi and Rosanvallon (1996), with regard to "the new French discomfort" believe that "... if globalisation produces all the de-structuring effects we have observed, this is also because they occur in the framework of a long-term, internal change in our societies. They are particularly vulnerable to the impact of globalisation, because they are pervaded by new forms of fragility, and bear the sign of equally new forms of inequality" (p. 14).

[43] Sahlins (1988) argues that "in Western culture, the economy is the main symbolic production field". Among the consequences of the economic recession and structural adjustment process (with respect to the Argentinian case), Beccaria and Carcciofi (op. cit.) note that there is a change in social preferences on the degree of equity. These concepts are not exclusive to Latin American societies. Reich (1991) analyses the social consequences of changes in the North American economy in the last decade. The acceleration in the social polarisation process, and the increasing

Implicitly, it is expected that such effects, when undesirable or inconvenient, will not result in corrections to economic policy in order to offset or modify the architecture of market automatism. In other words, instead of changing the causes by acting within the economic process, the effects should be offset or corrected by means of actions based on the political or social will, so-called "social" actions, without changing either economic structures or their "iron laws".[44] However, as a matter of fact economic policy has consistently been the most effective way of generating social inequalities or gaps and/or of correcting them.[45]

The present blatant opposition between social and economic policies is a clear return to the pre-Keynesian age and brings with it a re-birth of civil society's responsibilities and of philanthropic and charitable institutions and values. The definition of social policy to which we refer takes social policy, its founding values and agents back to the situation at the end of the 19th century.[46]

Technological and organisational changes in globalised production, together with a different correlation of forces between labour and capital, have led a situation where salaries and earnings are longer positively associated by way of socialisation with increasing productivity.[47] Wages – either direct or social – are

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segmentation between the rich and the poor result in a new definition of the community concept. "Incomes, and the tastes that go with them, increasingly define the new American community" (p. 278).

[44] Bianchi (1997) believes that "... the market is a social construction which does not derive from the mere human attitude to trade. The market, i.e. the place where relations between individuals take place, represents an institution which is constructed through the definition of collective rules geared to foster positive dynamics between individual agents" (p. 64).

[45] Polanyi (1947), wondering whether society creates itself, affirms "(...) The market's control over the economic system is of enormous importance to the whole organisation of society: it means, no more no less, ruling the whole society as an annex to the market. Instead of the whole economy being inserted into social relations, social relations are inserted into the economic system (...). Once the economic system is organised into separated institutions, based on specific reasons, and conferring a special condition, society must be shaped so as to allow the system to operate according to its own rules" (p. 90).

[46] The economic effects of the new production modes have been combined with the more anthropological ones of individualisation, in order to render more problematic the collective identification mechanisms. At the same time, we are today, as if we had been pushed brutally backwards, in a situation comparable to that prevailing in the early 19th century, before the "social question" was institutionally drafted, and embodied into a collective struggle" (Fitoussi and Rosanvallon, 1996: 67).

[47] This is more dramatic in the case of Latin America and its cities, starting from an open and deregulated market. ECLAC (1998) believes that in Latin America, local industrial groups are in permanent danger of being absorbed by large global companies. As a result of structural economic changes occurring since the early 80s, the affiliates of trans-national companies in Latin America did not only grow stronger, but also developed much faster than local groups. The process is partly determined by two factors: privatisation of state industrial companies, and the avalanche of foreign investment encouraged by the sources of income that opened up deregulation, liberalisation of markets, and policies to attract foreign capital. This change in investment agents brings about a traumatic shift in social relations, by introducing production forms that seek to bridge a technological and organisational gap accumulated over decades.

no longer a sufficient basis to sustain the social citizenship of a majority of the population.[48]

As a consequence, the notion of social policies being able to provide compensation, depending on the (good)will of political and social agents, in practice affirms the theoretical separation between social and economic policy and fertilises the practice of vote-winning through promises of public posts. In turn, given the supposedly marginal or specific nature of these considerations, they lose their effectiveness in the face of massive and persistent exclusion.

However, if social objectives characteristic of the capitalistic utopia proper to the industrial system were upheld, separation would not imply the disappearance of social policies but their redefinition, sophistication and expansion. As it is, we are witnessing their simplification and reduction. This is for two reasons. First, the declared objective of the change is not to meet the basic needs of all as a universal right, irrespective of opinions and contributions to the economic system, *but to alleviate poverty.*[49] Second, the prevalence of a political direction to these policies: the stabilisation and legitimation of the prevailing socio-economic system and the ongoing changes in it. These changes may be characterised as a change in the “social policy system”. According to Laurell (1995), this is defined by the status of welfare benefits, the type of social stratification it generates and by the state’s commitment to full employment. Each system expresses a power relation between classes, created on the basis of politics.[50]

These shifts in strategic objectives and direction are manifested in and supported by the systematic construction of a new common direction legitimating government reforms and its relations with society: decentralisation to local government bodies, privatisation of public wealth and services, transfer of social responsibilities to civil society which is expected to show solidarity and commitment, the paradigm of the total market and individualisation of responsibility for the growing social inequality.

In contrast to this common direction, scientific reflection makes it increasingly difficult to distinguish the concept of social policy from that of economic

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[48] Social welfare systems developed in connection with the category of wage earner, particularly, the Bismarck-based social security scheme, that tends to restrict coverage to wage earners and to some of their dependants, getting funds mostly from taxes on salaries. The notion of the "social wage" or "indirect wage" implies that public expenditure in social objectives replaces or supplements those which a worker would have to afford from his personal income (Barbeito and Lo Vuolo, 1992). In the face of the increasing number of redundant workers, and the tendency for national employment policies to become local management of non-employment, Castel (1995) says: "Citizenship is not founded on social uselessness" (p. 429).

[49] At its limit, this objective is understood as a certain degree of focused compensation of defined situations, such as deprivation or absolute or structural poverty (NBI), at the least possible cost to the public sector.

[50] Laurell (1995) summarises the main characteristics of the new regimen ... "a shift from the claim for social rights to the struggle against poverty, from the obligation of society to guarantee those rights through the state at the discretion of governments to the implementation of programmes for the poor, from an increase in public expenditure to the need to restrict it in the framework of strict fiscal discipline, from extension and a tendency toward universality of public social services to the definition of a package of "essential" services and the transfer to the market of the rest of social services/benefits" (p. 178).

policy, when they are not only not independent but market values and criteria are deliberately included in social policies[51] and there is even mention of a "social market" in which social entrepreneurs compete for resources. It is then necessary to undertake a critical review of prevailing ideas on the social policy which it is argued cities should implement.

[51] For a review of this, in the case of educational policy, see Coraggio (1997).

VI. Social policy in search of paradigms

VI.1. The new social policies: a neo-liberal thesis

Urban social policy is above all *social* policy. Social policy is, in turn, part of a system of public policies, the scope of which is determined by "external" conditions such as the economic framework, availability of resources and its dynamics in respect of the national product.

However, even inside this system of public policies, economic policy – at present guided mainly by macroeconomic models and criteria of a neo-classical tendency and by a global-market-friendly political programme of institutional re-engineering – is the condition which determines the remaining policies, and social policies in particular.

The general trend – expressed in significantly different ways and at difference paces from country to country, but without altering its overall direction – is for economic policy to re-distribute fiscal burdens in a most regressive way, to facilitate and demand reductions in wage costs, to deregulate and legitimate the impairment of labour relations, to open up the economy to external competition and to social dumping at a speed which prevents the readjustment of national industry, to privatise public service companies, pension and social security funds and health insurance, to concentrate the financial sector by eliminating institutions capable of subsidising consumption and micro-investment, to reduce the small retail sector in the face of the unrestricted entry of hypermarkets and malls, etc., etc.

Apart from this, which directly or indirectly has dramatic social impacts, economic policy and second-generation structural adjustment programmes impose on what is left of social policies — in what is usually thought of as a field of solidarity – criteria and values proper to the market, to individualism and to competition. These criteria are contrary to the culture of universal rights proper to an utopia of industrial capitalism and forced budget restrictions in the name of macroeconomic balances, reducing budgets just when they are most needed. The strategic objective of institutional reform programmes in this field may be summed up as follows: dismantling the centralised structures of social policy and creating market or social programmes in which a large number of decentralised initiatives compete for resources and beneficiaries.

This is the social policy proposal, subordinated to strategic objectives, criteria and values represented by economic policy, presently deployed in cities – in a sectorised and fragmented way, through a variety of government and civil agents: national, provincial or state government agencies, municipalities, local authorities, international agencies, international, national or local non-governmental organisations, self-managed organisations of citizens and consumers and solidarity networks with a variety of objectives and territories.

In the face of these phenomena, it would seem at first sight to be necessary to abandon the idea of a single social policy implemented by the national state, a policy which it is possible to influence by putting forward alternative models of

direction or management. Accordingly, it might seem more realistic to think of a seemingly chaotic overlapping of micro- and macro-actions of all kinds and scopes which could be characterised and classified according to styles or models based on formal affinities, although without any present or future paradigm to unite them.

However, where there seems to be no order there is really the proposal for a new order, one that accompanies state reform, although this reform process has not developed at the same pace or definitly settled down as a new, stable system (or non-system) in every country. Additionally, in decentralising the same proposal may bring about very varied contradictions and types in terms of efficiency and management style, depending on local resources, on the institutional framework, on action by society at large, on culture and on the specific problems of each city or region. A key issue is, therefore, whether within the same global context and prevailing tendencies, other proposals may be generated at a local level, proposals which might be efficacious, qualitatively superior and lend themselves to generalisation so as to establish new bases for urban social policy. The URB-AL network may assist in answering these questions.

When assessing these possibilities, it should be taken into account that neither is the context immutable nor can linear trends be projected into the future. The neo-liberal project is starting to experience difficulties in maintaining its dominance, and crises in countries which the IMF held up as an example (Mexico, Asia) have weakened the credibility of the economy-based model. Moreover, before the neo-liberal public policy model has spread throughout the European Union, there is word of a “Third Way” and social democratic parties seem to be regaining their positions, although in conditions quite different from those observed in the pre-Thatcher era.[52] Meanwhile in Latin America the social policy paradigm promoted under Reagan and Thatcher still struggles to become consolidated. While opposed by social majorities affected by this project, as well as by some leaders whose power was developed under the welfare state model, this paradigm has made constant though unequal progress by combining the external pressure represented by the International Monetary Fund, the World Bank and the Inter-American Development Bank with national coalitions who have obtained benefits from or been seduced by total-market neo-liberal concepts.

VI.1.1. The new social policies and structural adjustment in Latin America

Cities are open systems, strongly determined by conditions imposed by national processes and policies. Therefore there is a need for innovative urban

[52] At present, eleven European countries have centre-left governments. The paper issued in November 1998 by Ministers of Finance of these countries meeting in Brussels, sums up the profile of the third way. "Our task is to find the way to combine an open, competitive, and successful economy with a fair and human society (...) The central objective is reconstruction of the full-employment society, a society where there are opportunities to all citizens". The Ministers’ paper also supports public expenditure in works of infrastructure and public services, and fosters the agreement on a new social contract which affords all European citizens participation in the economy ("Europe agreed to give priority to growth and employment", Clarín, 23-11-98).

social policy proposals in the context of a national social policy which is usually regressive.

In Latin America the new social policies (NSPs), far from being independent and counterbalancing the market, are part of the structural adjustment of the state and of its new relationship with society and the market, the latter now being installed as a central civilising force.

The privatisation of public services takes away from national governments a massive instrument that was characteristic of the welfare state: the direct satisfaction of basic needs through the provision of free or partially subsidised services. A contradiction appears: *public* services turned into *private* business.

Utility companies in urban areas (water and sewage, gas and electricity, transport and toll-booths, telecommunications, etc.)[53] become private monopolies, removed from political pressures and therefore unwilling to consider unprofitable social demands. Since there is a tendency to minimise the regulation of such services, which are usually in the hands of international consortia, their prices increase as a result of the high earnings permitted by a monopolistic and captive market. In any case social policy in this area would be restricted a certain degree of cross-subsidy in addition to that suggested by a policy of price discrimination designed to maximise corporate profits.[54]

Additionally, thanks to the privatisation of social security systems, the state system is further abandoned and de-capitalised by the creaming-off of the best part of the market by pension funds and health insurers associated with financial capital or with specialised transnational companies. The reform of these systems adversely affects, in particular, the elderly or public sector employees who rely on the captive contributions of the remaining state system.

A policy geared to the liberal utopia of universal rights – where citizens were entitled to basic services according to their needs and paid taxes according to their income – is changed into a limited-focus policy of redistribution whereby in principle everyone who can afford to do so is supposed to pay for the goods and services they need, which are supplied by companies which work for profit.

Those who cannot pay for services termed essential for moral or functional reasons, are offered “basic” packages (typically food, health-care or housing aid) which are administered in a focused way (only to those in extreme poverty who cannot afford them from their own income). As a result of the limited nature of these basic packages, large sections of the population have to obtain

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[53] On the case of water and sewage, see Kullock and Catenazzi (s.f.)

[54] However, such cross-subsidies, geared to increase demand from the lower-income sectors, are usually charged to middle urban sectors which, far from being the privileged sectors they have been made to appear, feel the impact of dual and impaired standards of living. ECLAC and the IDB have not ignored the dissemination of this designation of middle sectors, started by the World Bank in order to justify a policy which, for the sake of equity, hits a large middle-class sector. Paradoxically, policies are advocated which start by impoverishing middle classes, and then have to include them as a target of the new social policy, provided the social utopia assumes that all should have standards of living above poverty. This can be only explained if the deep objective of these policies is not really equity and social development. Even ECLAC has not ignored this characterisation. (ECLAC, 1998)

the services essential to urban living (e.g. housing, transportation, electricity and water) by non-legal means or at high cost. Education as a family investment is highly valued by urban sectors. The decline of public education, however, has led even teachers to send their children to private schools and middle- to low-income sectors to have recourse to private tutors.

The state has been deprived of instruments to regulate the market, particularly price controls such as effective minimum wages, subsidised prices for popular consumer goods, maximum rates, free services, etc., on the grounds that such actions are said to adversely affect the efficiency of the market, which is considered to be the best allocator of resources or, more recently, to frighten off global capital. These effects have combined to produce the aforementioned fall in real wages and an equally steep drop in the proportion of national income attributable to income from labour.[55]

Two sectors which still rank as top priorities in the rhetoric of the new social policies, education and public health, are being submitted to efficiency criteria and to capitalist market mechanisms. In the sphere of education, for instance, decentralisation implies that educational establishments are more autonomous, but must be evaluated not by the quality of their processes but by their quantitative outcome, as they compete for customers (pupils) and for the allocation of public resources by cost-efficiency criteria. Teachers, their initial training and their salaries are seen as excessive costs and are gradually replaced by textbooks and self-study information systems.[56] The education sector, particularly higher education, is open to national and international private investment and becomes a business, while the public education sector is compelled to compete in conditions of scarcity of resources.

VI.1.2. An European theoretical perspective on social policy systems

Esping and Andersen (1990) believe that social policy systems are associated with the welfare state, of which three types are identified: liberal (in Latin America this is called neo-liberal), Bismarck or conservative-corporatist, and social democratic. Under this classification, the *level* of social expenditure is not seen as the key or as an adequate indicator to establish to which type of welfare state a certain country or era belongs. It is the goal of expenditure, reflected in the way it is put into operation, which is the defining factor. Expenditure may be relatively high and the contribution to welfare may be low (or not associated with the emancipation of beneficiaries) and vice versa. It may be said, there-

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[55] In Chile (1994) 60% of the economically active population had monthly incomes below US$ 360, corresponding to the third quintile of the *"Encuesta Casen"* by the Ministry of Economic Planning (Tetelboin, 1995). In Argentina (1998) 20% of the poorest households get 4.2% of income, whereas 20% of the richest get 516% (Diario Clarín, 13.11.98).

[56] "Well-designed microcomputer programmes may considerably cut the time required to teach basics such as reading, and writing. For instance, in approximately 100 hours, first-grade students with microcomputers in the Philippines learned to read and write in English up to a level only attained by a small group of students in regular classes in the same schools" (Lockheed and Verspoor, 1990).

fore, that there are similar general tendencies, although indicators may vary between countries and cities.

The neo-liberal model (as exemplified by the U.S.A., Canada, and New Zealand) adopts a welfare-oriented social policy which grants minimum needs-based social benefits, focusing on the poorest sectors with the aim of reincorporating them into the market, this being seen as the ideal system of allocation of and access to resources. The Bismarck-type model (characteristic of Austria, France, Germany and Italy) has a corporatist bias, since its objective is the preservation of differentiated social statuses. It accompanies the market and links benefits with contributions, with work being the central category for organising access. The social democratic model (in Scandinavian countries), is based on universal access to social benefits which, far from being restricted to minimum subsistence standards, accompany economic development; in this model, citizens may freely choose whether to become incorporated into the market or not. In all of these cases, the resulting welfare situation will be determined jointly by economic outcomes and by social and political structures.

More profoundly, according to this perspective it is relevant to review the ability of each social policy model to permit or encourage a separation between the reproduction of life and participation in the market through salaried work or the freelance sale of goods and services. Where social policies only tend to cover the minimum needs of the most deprived sectors (welfare-oriented), perhaps it is because it is hoped or expected that they will decide to reproduce on the basis of their relationship with the market. The problem in this case is that if unemployment is involuntary, structural, and massive, these welfare policies are inefficient and highly costly, since they do not achieve the objective of reintegrating their beneficiaries in such a way that their reproduction is founded on market relations. On the contrary, by doing nothing but allowing them to biologically survive, a broader gap is opened between their abilities and market demands.

This becomes evident when, in a large metropolis with privatised public services and without a minimum income policy, giving “basic” food, health, and education packages suffices only to “(partially) alleviate poverty”, as the World Bank states its objective to be,[57] but not to help in overcoming it. Beneficiaries of these services, therefore, find no legal means of covering other basic needs such as water, energy, transport, housing, more specialised health-care services and medicines, etc. They cannot afford to search systematically for a job. Not having an address or a telephone number (or having one which you would rather not give),[58] being the victim of violence and of the stigma of focused pro-

[57] The World Bank, in World Development Report 1990 proposes a strategy to reduce poverty, based on the following key points: promote economic growth, such that the use of the most abundant resource to the poor, i.e. labour is rendered efficient; facilitate access to basic social services by the poorest; and provide protection networks to the most vulnerable groups. The concept of efficiency is crucial: maximising corporate profit, irrespective of social consequences.

grammes, and feeling that one is to blame for being excluded, for not having the skills required by the market,[59] are existential conditions which can hardly be offset by basic packages intended for biological subsistence.

Starting from the „conservative-corporatist“ model institutionalised in the most urbanised and industrialised countries of Latin America between the 1940s and the 1970s, theoretically it could have evolved by moving towards the social-democratic universal rights model, a paradigmatic example of this tendency being the movement for the Brazilian constitution of 1988.[60] In contrast, the tendency towards change generally observed since the 1980s is a regression towards the welfare model, exemplified by the 1980 Chilean constitution under the Pinochet regime.[61]

Moving in the same regressive direction, away from the trade union struggle of the nineteen-seventies, the reform of social policies – paradoxically, even decentralising policies – became a question defined by leaders, i. e., implemented from the top down. As a result, along with a reduction in the weight of the public sector and changes in the relative power of different social classes,

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[58] Impairment of living conditions, and exclusion should be reviewed ..."from a systemic point of view, analysing the manner how different insecurity and exclusion conditions are connected, how a certain condition of an area of social life contributes to insecurity or exclusion in others; in summary, how disadvantages in different fields gradually pile up" (Minujin and Kessler, 1995).

[59] Fitoussi and Rosanvallon (1996) connect this situation with "consummation of the individualistic society", "...The future of individuals appears less and less linked with a common fate. There are fewer and fewer possibilities of getting support from collective action in order to solve difficulties, or further claims (...) We live, henceforward, in a society which throws on individuals the double commandment of never-ending improvement, and ongoing self-assessment, which are mechanisms of both personal life, and professional action“ (p. 43 and 44).

[60] According to Dutra Fonseca (1995), the 1988 Constitution was intended to deepen and render universal certain social rights. Some of the targeted rights: extending maternity leave to 120 days, granting one part of workers' rights to female domestic workers, universal coverage, and equalling social security benefits to urban and rural workers (bringing 60 million people into the social security system).

[61] In the Mexican case, Ziccardi (1996) points out two stages: the interventionist corporatist State (1940-1987), and the neo-liberal State (1988-1994). In the case of the former "its main support is the creation of the PRI, in which government the traditional and modern social sectors become incorporated through corporate representation mechanisms which attract voters with the promise of a public post (...). A political order is put in place, which confers stability and consensus to economic development projects based on industrialisation (p. 271). As to the second stage, "social policy (...) was absolutely subordinated to economic policy, and as one of the initial measures (...) an attempt was made to foster a decentralisation process for education and health services" (p. 278). In the case of Brazil, Draibe (1993) points out that "it was an example of excluding and concentrating capitalist development, and consistently building a social policy system with strong conservative characteristics" (p. 15). Barbeito and Lo Vuolo (1992) state that in the Argentinean case, social policies which "defined their morphology starting from the 40s, were constructed on the principles of the Bismarckian social insurance, with rights and obligations regulated around the category of "worker" (particularly wage-earners), and not around that of "citizens" (p. 121). Actually, specific systems do not correspond fully to ideal types formalised in models. In the Argentinean case, by the way, together with the development of the conservative model, a welfare system was maintained (which, although less developed, was prior to it), focused on sectors not included in the categories of formal employment. The systemic shift, since the eighties, might be interpreted not as an absolute breakdown, but as a deep stress on pre-existing characteristics (Quiroga, 1998).

complex processes of corporate interaction, bargaining and pressure/demand between trade union movements and organisations on the one hand and the state on the other – processes characteristic of the Bismarck model – tended to be watered down and de-structured.

Esping and Andersen claim that the desideratum of the social-democratic welfare state is for each individual to be decommercialised if he or she wishes to. However, as will be seen below, the only way so far proposed of putting this into practice is the institutionalisation of a "citizen's income", which implies that the labour force may be decommercialised, but not the reproduction of life through consumption.

VI.1.3. The new social policies: do they derive from change processes or do they have a political subject?

In Latin America, the dissemination/imposition of the neo-liberal programme for social policies was, and is, the responsibility of the IMF, the World Bank and the Inter-American Development Bank. Undoubtedly, there were and still are some significant differences between the countries of the region as to the depth and the speed of reform, not as to its direction. The pressure to create regional blocks – Mercosur, Andean Market, Central American Market, NAFTA – is likely to start a tendency toward an increased homogeneity of systems, although there is still a lack of the level of institutionalisation similar to that seen in European Union, and differences are likely to persist for some years. However, the new emphases are similar:

- "planning" is no longer spoken about, instead the words "management" and "participation" have been incorporated into the rhetoric of governments and agencies all over the region, in many cases as a means of reducing costs through unpaid voluntary work by the beneficiaries;
- from assessment based on the quality of proposals there is a move toward result-based assessment on the basis of cost-efficiency criteria;
- decentralisation is a relevant issue within the state, from the national to the provincial to the municipal level, and also through outsourcing processes to not-for-profit associations (NGOs), which signifies lower costs and an improved ability to deal with demand, due to being closer to beneficiaries;[62]
- focusing on the poorest sectors (versus universal provision) is another criterion shared throughout the region.

In a context of permanent high unemployment, with growing employment insecurity, sources of income (the pensioners-working population ratio) to support the state pension system dwindle. This is accelerated by the hiving off of sec-

[62] According to the World Bank (1997), decentralisation of both state power and resources enables rulers to be brought close to the people. The decentralisation process includes two levels. The first one is the horizontal level, between the government and the community, the NGOs, and the private sector. The second one is the vertical level, between different governmental agencies. The fact is worth stressing that some governments have responded to the fiscal crisis by transferring resources and responsibilities to the provision of services to local governments, and the latter, in turn, have made co-management arrangements with the private sector, and local NGOs.

tors which can be the basis for profitable privatisations of pension funds and health-care systems, to which the broad majority which contributed to the state social security system no longer has access.[63]

In order to render policies more efficient, attempts are made to differentiate between absolute and structural poverty – defined as unsatisfied basic needs and measured by failure to access certain basic services – and relative poverty, measured by insufficient income to afford a basic basket of consumer goods and services.

Irrespective of the fact that sectors with unsatisfied basic needs are not always below the poverty line in terms of income, concentrating resources on extremely poor sectors (i. e. a focused policy) is not enough to solve their concerns: access to water and sanitation, electricity, transport, health-care, etc. The policy of privatising public services – geared to recovering costs through payment by all users – further aggravates income-based poverty and the economic vulnerability of those sectors.[64]

Some traditional urban policy instruments which are apparently more geared to satisfying basic needs than to dealing with poverty based on income and employment, are no longer valid when public services are privatised. Additionally, the concentration of these services in international consortia which claim monopolistic profits weakens municipalities' negotiating ability in the context of national deregulation policies (see Coraggio, 1997).

As regards European countries (see Dutra Fonseca, (1995); Rojas de Carvalho, 1997), despite widely differing situations the European Union is a crucial agent of changes in the social policy of member-states. Some guidelines in the Green Book are illustrative. This publication, *European Social Policy: Options for the Union*, was prepared by the General Directorate of Employment, Labour Relations and Social Affairs of the European Union in November 1993 for the purpose of encouraging a debate on future social policy guidelines in the European Union.

As stated in the introduction, the fundamental premise in the Green Book is that "the following phase of European social policy cannot depart from the idea that social development must be halted in order to recover economic competitiveness" (p. 6).

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[63] The economic feasibility of the pension fund system (which was pro-cyclical) was destroyed when demographic tendencies converged in a population whose non-working sector is increasing, and in recession that turns large sectors of the nonwork-wing population into pensioners. "The fiscal crisis, the fall in employment – particularly the number of wage-earners – the impairment of income from work, have adversely affected the system's resources and yields (...) In the case of the pension fund system, the number of non-working people is growing, enlarging the group of the "impoverished poor" (Barbetio/Lo Vuolo, 1992: 135).

[64] A structural problem of focused policies which invest specific resources in specific sectors is their economic sustainability, while citizens who contribute to the fiscal system should reach a consensus about the allocation of public resources to other sectors (Offe, 1995: 91)

The Community's social policy[65] has developed through the evolution of treaties, and has used different instruments according to the intended objectives. The three main functions are connected with the following:

- "contributing a legal framework in certain areas of the Treaty of the European Union, in order to implement the dialogue between social delegates, thus contributing to the definition of fundamental workers' rights;
- providing substantial financial support, particularly to measures intended to create jobs (...);
- encouraging and fostering cooperation between different social policy agents, the establishment of cooperation networks and mechanisms, the exchange of information and experiences, and the promotion of innovation and of appropriate practices and policies" (p. 9).

Although European social policy plays a vital role in supporting the process of change, it is affirmed that these actions should never replace national, regional, or local responsibilities.

As mentioned in the Green Book, the Western socio-economic model was built on the foundations of full employment and the welfare state. However, owing to the disappearance of the two-bloc world strategic system, worldwide competition and strategic cooperation depend increasingly on socio-economic development, to attain which several capitalist, possibly mutually contradictory, devices have been adopted.

In this context, the European socio-economic models would remain valid, since with only 7% of the world's working-age population, they produce 45% of world GDP. However, the effects of world economic restructuring are starting to be reflected in high unemployment rates. Therefore, for the European Union social policy is becoming increasingly important as a supplementary policy to other strategic objectives such as the single market and monetary union.

The European Union Treaty (article 2), states that the Union's objectives will imply the promotion of:

- a high standard of employment and social protection;
- a higher standard and quality of living;
- economic and social cohesion, and solidarity between member states.

"It is necessary to point out that some high levels of social protection have been an important factor in Europe's economic success. Many people think that these high social standards should not be considered (...) a luxury which might be lost in harsh times, but rather a part of a competitive economic model. The core of the question is the debate between this point of view and that of those who maintain that present European social standards have become unsustainable" (page 14).

The welfare state model prevailing in many European countries after World War II was based on the development of social security systems supported by contributions from business and workers, and on the transfer of resources via

[65] Which, as viewed in the document, covers all the policies in the social sphere, including labour market policies.

the taxation system to the poorest sectors of the population. “Full employment of economic resources might be maintained through the action of governments at the level of effective demand, and the welfare state would then distribute income in favour of persons threatened by poverty, as a consequence of unemployment, disease or retirement. The working population would then ensure a minimum income to pensioners” (p. 14)

However, the report admits that there are some reasons warranting a review of the model, namely:

1) for citizens of developed democracies in industrial countries such as EU member-states, being part of the non-working population results in personal and social identity conflicts. There is, therefore, a social demand for work, and not only as a means to make a living;
2) In spite of the fact that the world is in the process of incessant structural change, economic policy is still ruled by cyclical short-term approaches. The task of unifying specific and structural policies still remains to be done. Furthermore, the globalisation process requires economic agents to have a greater ability to confront permanent change;
3) demographic tendencies which impact on the future of social and economic policy: the aging population, population flows (particularly migrations);
4) changes in the organisation of labour owing to the incorporation of new technologies (which affect workers’ training, generate new ways of organising working time and raise new challenges in connection with collective bargaining);
5) the growth of a hidden economy in certain traditional sectors and in new areas (home working, local employment initiatives, etc.).

“An obvious outcome of the aforementioned pressures to which our societies are subject is the increase in social security costs and budgets, particularly with regard to health care, which casts in doubt Europe’s ability to support such systems in the future. There is high risk that a continuation of the present policies will ultimately lead to a ‘dual’ society in which the creation of wealth relies on a highly qualified labour force, and income is transferred to an increasing number of non-working people, as the basis for preserving a reasonable level of social justice. Such a society would not only be subject to decreasing cohesion, but would also be contrary to the need to mobilise European human resource potential to the maximum, in order to maintain competitiveness” (p. 16).

“Europe’s fate does not depend on a single election, but on the answers to be given to three inter-connected questions relating to the fundamental objectives of the European Union Treaty and to the social foundations of the Europe of the future: Is there any way back to full employment? Should a new role be attributed to the welfare state? Which is the next phase of equal opportunities, without which European democracies will fail?”(p. 16).

With regard to full employment, the hypothesis about deep underlying structural problems preventing a return to full employment is growing stronger. Because creating jobs requires high economic growth standards, the growth rates which can be anticipated would not solve any problems. This means there

would be no possible way back for this radical change process which leads to the post-industrial society.

The report presents three possible approaches to resolving the employment question: (a) a dynamic and stable macroeconomic environment; (b) fundamental structural changes; (c) a dynamic, though equitable, process of social readjustment.

(...) "It should be taken into account that government policies on their own will not change this situation. Sectoral decisions, monetary policies, collective bargaining, and decisions made by people about consumption, savings and investment will shape the society of the future, and the function of labour therein" (p. 19).

With regard to the new mission of the welfare state, so far the debate has been focused on the following questions: (1) the importance of controlling the explosive growth of public social expenditure; (2) the creation of incentives to work; (3) a possible new combination of public and private systems; (4) greater decentralisation, sometimes by extending the powers of local bodies and welfare organisations.

"The main consequence of the increase in demand of social services on the market, and the need to fight against exclusion of vulnerable groups is that maintaining income levels may not be the sole objective of social policy any longer. There is consensus in Europe about the need for all citizens to have resources assured, but now social policies ought to include the even more ambitious objective of helping people to find a place in society. The main way, although not the only one, is paid work, and that is the reason why employment policies and social policies should be linked" (p. 21).

According to the report, actions have been implemented to integrate social and employment policies, of which the following are some examples:

- The linking of minimum income systems with services which promote economic and social reintegration;
- The linking of unemployment grants with training, job creation and work incentive schemes;
- The adoption of measures to favour equal opportunities in the labour market, taking into account women's skills and needs;
- The establishing of more flexible pension systems which allow a flexible retirement age;
- Preventive health-care programmes which encourage healthy ways of living;
- Actions to integrate disabled people into society;
- Actions to integrate immigrants into economic and social life;
- More generally, the adoption of comprehensive strategies on broader levels, such as education, training, housing, health, etc. (p. 21 and 22).

European social policy, based on legal provisions and on means of action, is currently developed in a specific performance context. The social dialogue, reinforced by the social chapter of the Maastricht Treaty, is the result of a long process of mutual cooperation and adaptation between the social agents involved.

The magnitude of the challenges to be faced makes it improbable that a solution can be found by states working in isolation. Areas connected with issues of employment, standards of living and quality of work have been declared to be common tasks by the Treaty of Maastricht, since they are essential to economic integration.

The commission that produced the Green Book believes that there has to be consensus on certain important objectives:

"1) Some properly oriented social instruments contribute to stable growth in production and employment and to political and social stability. Free competition on the market without any kind of restriction, cannot (...) redistribute resources in order to remedy poverty.
2) Social expenditure should be maintained within the boundaries of public budgets and insurance funds, although economy measures must not deter the effectiveness of programmes or of social objectives, namely equity and solidarity.
3) The welfare state should move towards an optimum balance between public cover, collective private cover and individual cover by social services (...).
4) Social protection policies and labour market policies should be geared as far as possible to achieving positive objectives of human resource development, the self-sufficiency of individuals and their integration into society (...)" (p. 34).

As regards the question posed at the beginning of this section, though the Green Book ideas are evidence of a significant level of sensitivity to social questions, it is doubtful whether, faced with the requirement to compete on the global market, the governing bodies of the European Union will refuse to play the IMF's and the WB's role by imposing neo-liberal policies in Europe. The pressure to homogenise national social security systems is low (it was at its height between the two World Wars) (see Kusnir, 1996).

In turn decentralisation, which appears as a common trait of the tendency towards homogeneity, cannot fail to generate an increasing heterogeneity the social situations of different locations in the same country and between countries themselves, given the inequality of resources, management capacity and problems.

As regards Latin America, since national governments are relatively weak, are captive to external debt and lack the support of strong civil societies, the new social policies are put forward by the IMF and the Development Bank. Accordingly, their contents are not specifically designed to tackle the specific problems of individual countries or of the region as a whole, but a standardised formula designed for application as if they were universal formulas to be applied as universal political recipes modelled on the neo-conservative administrations of Ronald Reagan in the U.S.A. and of Margaret Thatcher in the UK.

Such policies have been implemented either directly or through reforms of public institutions, i. e. structural adjustment programmes. It has once more been demonstrated that Latin America's ruling classes have a tendency to import turnkey models. However, this imitation process is unequal and the path it

has followed is not comparable in e.g. Mexico and Chile, Argentina and Brazil, Ecuador and Peru.

This same pattern of imitation now gives rise to the expectation that recent crises (*Tequila*, *Caipirinha*, and *Rice*) will demonstrate the risks to governance of freeing the global economy to market forces, and that it will be seen that the neo-liberal paradigm needs revision. Latin America is again looking at the possible changes in state policies in European countries where social-democracy is back in power after winning elections. However, the power of globalisation and the imperative of competition may restrict the margins for revising these trends, and the existence of the Community's organisations, whose plan is aimed at homogenisation of social policies, could be instrumental in this respect.[66]

[66] Concerning the initial assessments of the impact of the new social policies in Latin America, the study conducted by ECLAC (1998) on income distribution in five countries, enables some tendencies to be outlined. It highlights the persistently low share of income which goes to the poorest sectors, and also the need to generate "a global policy tending to guarantee a minimum level of income to families (...). It is necessary to think about the employment of a set of tools geared to achieve a minimum level of family income, comprising a combination of wages and minimum pensions, subsidies and/or unemployment grants, plus family allowances and/or bonuses or transfers either directly or in kind, which could be distributed, e.g. through the public school system.
Concerning focused policies, it argues that "the measures that promote an enlargement of the educational system coverage, a decrease in drop-out rates, and quality upgrading, are components of any policy which, in the long run, is geared to improve distribution of income. In terms of distribution, the outcome of these efforts will only be shaped in the long run (...) There are also complementary relations with policies in other spheres, as is the case with the provision of healthcare to the poor (...) The persistence of these policies, and the economic growth have a key character: temporary reductions in resources intended to them give out permanent effects. The experience of the region in this field does not allow to anticipate, either, a progressive evolution of distribution (...) Resources intended for social policies have frequently been the object of the sharpest real reduction as a consequence of public budget adjustment policies".

VI.2. Analysis of some alternative (or supplementary) proposals to the new social policies

VI.2.1. Citizens' income

The market economy requires all members of society to become involved in a system of the social division of labour, by supplying and placing their labour or the outcome of their labour on the market and in turn obtaining some monetary income, by means of which they purchase what is required to reproduce the production process, their own labour power, or their family. In this system, being excluded as producers (particularly as wage-earners) implies in principle – except for those whose income derives from investments or real estate – becoming excluded as consumers of goods.

The proposal for a basic income or citizens' income (see Offe, 1988 and 1995; Lo Vuolo, 1995) implies detaching personal income from paid employment or from autonomous production for the market, thus guaranteeing that all citizens will have access to the monetary equivalent of a basic basket of goods. If the intention is for only goods from that basket to be consumed, the system may be implemented in the form of consumer vouchers which can only be exchanged for certain types of goods. This system implies that any member of society can choose between working or having spare time, just by ensuring the basic consumption standard. This is not the same as unemployment insurance, which would still normally be linked to employment.

The understanding is that the productivity revolution enables one part of society to work, obtaining higher income as a result of work, and producing a mass of goods sufficient to cover basic consumption by the rest. Whatever the fiscal system that makes this transfer possible, the origin would have to be economic surplus, and therefore it would be seen as a levy on higher-income groups and capital gains. Implementing such a system at the kind of levels as to allow a really adequate basic basket implies its introduction throughout the world, while the global market would penalise societies which substantially lowered their profit rates through this kind of redistribution. Alternatively, it could be done at really elementary levels of subsistence and its costs charged mainly to high consumption sectors and not to businesses.

In any case, one problem with citizens' income is that as a transfer of monetary income it will be evident on the market and follow the consumption patterns that characterise capitalist businesses. Furthermore, insofar as its source is taxes on higher-income sectors, it does not maintain the level of aggregate demand while merely changing its structure, but increases aggregate demand without directly impacting on production structures, thus reinforcing the previous patterns of exclusion. Or it may filter into imports, exerting pressure on macroeconomic balances. In contrast, it would certainly have a significant impact on and reduce the level of savings which flow into the financial sector.

While production structures remain untouched by this alternative, it is unreal to suppose that giving citizens the possibility to manifest their wishes in terms of effective demand will emancipate them. Capitalist producers do not only take

into account sovereign demands from consumers. They manipulate information, but also wishes and needs, which are constructed on the basis of elemental impulses which do not structure themselves as needs without symbolic social processing.

If the exercise of citizenship is going to be focused on effective access to consumption, consumption itself should be critically analysed. Consumer sovereignty – which implies protection from political and cultural actions geared to control it or lead it in a certain direction – is a matter of opinion.[67] One possible scenario for the interplay between producers, consumers and the government is for the government to ensure the transparency of markets, and for consumers to get organised, so that they obtain information for themselves and influence their own demand patterns, counteracting irrational consumerism, undesirable mass effects, etc. However, not everything boils down to information and subjective images. There is an objective generation of needs by processes created through production itself (pollution results in the need for medicines and healthcare services).[68] Insofar as consumption decisions are supported by processes considered to be natural, freedom becomes relative.

Programmes establishing an income in exchange for “social” jobs which do not generate supply on the market are likewise adversely affected. They raise demand without directly impacting on production structures. Although they can in effect (this remains to be proved) generate satisfiers which do not appear as supply and demand on the market, they induce demands for both inputs and finished goods. They are thus components of a policy to induce supply by means of an anticipated increase in demand.

In any case, although it would certainly have a great local impact if implemented at the national level[69], the implementation of a citizen’s income policy in

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[67] "... recognising or admitting a need is always a cognitive and reflexive process, regulated by both cultural rules and social relations" (Offe, 1988: 229) "... it is an open question whether that liberal equation has the exactly opposite effect, i.e. cognitively "repressing" and ideologically deleting the clear-cut and numerous hints about many consumption choices having nothing to do with meeting needs, being a mere reflex action to needs conditioned by effective social situations, and that modern social structures restrict the development of the ability to choose, establishing and contesting needs" (Offe, 1988: 231).

[68] Offe (1988) notes that "a large number of the needs for consumer goods that consumers express on the market are connected directly to their living conditions (...) Elections made by consumers within the market are not always actions geared to meet their "own" needs, but answers to a situation where some needs are structurally imposed" (p. 228 and 229).

[69] Such a policy is not economically unfeasible, if it were part of a coherent system of public policies, and if the political will to implement it existed. For instance, allocating an annual income of US$ 3,000 (equal to one fourth of the estimated basic family basket) to the 800,000 unemployed workers in the Metropolitan Area of Buenos Aires would account for a total of US$ 2,400 million, equal to the estimation of the profit tax evasion, which in turn would be 15%. This additional demand would generate employment and additional profits. One problem is that in an open and non-competitive economy such as the Argentinian one, in the absence of other policies, this would broaden the foreign trade gap by promoting imports without contributing to exports. Something very different would occur if income thus distributed remained connected to the circuit of a strongly local labour-oriented popular economy (see below). In any case, such huge income distribution policies do not have a local character.

any of its variations is clearly *impossible at the local level*. In an open society, this would imply massive migration towards that place, in the same way as, on a different scale, people seek health care in municipalities whose hospitals provide better service. In a globalised system it is difficult to implement such a policy, even at the national level.

VI.2.2. Social management: an alternative or efficiency upgrade of the new social policies?

One line of thought that is gaining increasing support in Latin America judges that the problem with social policies is not so much their intentions or functions, but their management style. Although some explanations would be required, what this means is the incorporation of some management principles adopted from the new business world, which are decentralised, participatory, flexible and more appropriate to a complex and uncertain world. The concept of profitability is termed "social", and it is admitted that it is a mistake to separate the economy from society and the state. However, the proposal consists of "adding" them.

If this is accepted, no matter whether you start by redefining the state's role in order to establish which technologies are the most appropriate, and you avoid being too technological, the essence of a market society is being infiltrated into the world of politics and of social issues. Market values and criteria are introduced, while only a few external limits are set. For this purpose, the proposal is that government social and economics ministries be given equal status and more autonomy is given to social policy, which turns out to be superficial if the basic ideology is shared by the respective technocracies.[70]

These arguments do not differ greatly from those of the Inter-American Development Bank when warning the IMF and the WB that unless social reforms are started, economic reforms will not be sustainable, because of the loss of governance in "adjusted" societies (IDB/UNDP, 1993).

In the real context of power, if it is good – other conditions being equal – for the "social front" to be rendered more efficient, or for public management of social policies to be improved, this will merely contribute to increasing the proportion of gains in income distribution, reducing the costs of social policies on the basis of cost-efficiency criteria applied to the pursuance of the fixed social goals required to support the system of accumulation. The welfare content of social policies will not be changed by increasing the emphasis on participation, if this means that "beneficiaries" become involved by contributing unpaid work

[70] Bernardo Kliksberg is an outstanding representative of the social management currency. Although he provides clear references for the present social situation, and its tendencies, and cautions about some narrow interpretations of participation, the fact that he constructs his argument by linking the "good" sentences of the World Bank or the IDB papers, without undertaking any criticism of the ultimate sense of their proposals, makes us see him as an operational upgrader, rather than as an alternative to the new social policies. Kliksberg, *"Repensando el Estado para el Desarrollo Social"*, and *"Seis tesis no convencionales sobre participación"*.

in order to lower the costs of public programmes, or that they are called to attend meetings where equality is only apparent.[71]

The true alternatives should challenge the utopian content of social policies and/or make proposals for change, and not just work in the shadow of the economy.

VI.2.3. The human development paradigm

Different UN agencies (UNDP, UNICEF, UNESCO) have put forward a proposal intended to be paradigmatic for the orientation of development policies at every level, but particularly the local level. The United Nations Development Programme (UNDP) has systematised this proposal in its annual reports on Human Development, beginning in 1990. Human Development is defined as "the process of expanding the range of people's choices, increasing their education, health-care, income and employment opportunities, and covering the complete range of human choices, from a healthy physical environment to economic and human freedoms“ (1990: 1). Its main rule takes up again the then World Bank President Robert McNamara’s 1973 proposal about “investing in people”, rather than waiting for economic growth to spill over.[72]

“The importance of life expectancy is based on the shared belief that a long life is valuable in itself, and on the fact that several indirect benefits (such as proper nutrition, and good health) are associated with a high life expectancy (...). Literacy figures are only a gross reflection of access to education, particu-

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[71] "... in the framework of the present state policy reforms processes, the social sectors that are targeted by policies are included and incorporated at the time of implementation and management. However, this is based on how participation should be, and this, irrespective of more or less technical arguments (their contribution to efficiency, to increased control, etc.) or of a substantially humanistic bias (democratisation, responsibility, etc.), relatively pre-determines the direction of policies. Accordingly, if institutions and agencies keep the decision-making power to themselves, they will have logical and historical (i.e. political and social) priority over them" (Danani, 1996: 34).

[72] The UNDP (1998) uses the human development index (HDI) as a country human development indicator, combining the following parameters: longevity (life expectancy at birth), knowledge (adult literacy rate and combined enrolment rate), and standard of living (per capita income adjusted to purchasing power parity in dollars). As regards a continued revision to initial proposals, and concerning poverty, at present (1998), the UNDP uses two different indicators for Europe and Latin America: a) Human poverty index 1 (HPI-1) measures poverty in developing countries, using the following variables: percentage of people estimated to die before age 40, percentage of illiterate adults, and deprivation of – public and private – general economic provisioning, reflected on the percentage of population without any access to health-care and drinking water services, and percentage of underweight children under age 5; b) Human poverty index 2 (HPI-2) measures poverty in industrial countries. It focuses on deprivation connected with the three concepts used by HPI-1, and also on social exclusion. It considers the following variables: percentage of people who will probably die before 60 years of age, percentage of people whose reading and writing skills are far from adeqaute, proportion of people with available income below 50% of average, and proportion of long-term unemployed workers (12 months or longer). "The HPI defines deprivation according to three essential elements of human life, which are already reflected in the human development index: longevity, knowledge, and a decent standard of living. What is the difference between the HDI and the HPI? The HDI measures progress in a community or all over the country. The HPI measures the degree of deprivation, the proportion of people who remain excluded from community progress" (UNDP, 1998: 25).

larly to education of good quality, which is so necessary to a productive life in modern societies. But reading and writing is the first step for a person to learn and build knowledge, and therefore these figures are essential whenever human development is measured. In a more varied set of indicators, the outcome of the highest educational levels should also receive strong consideration. However, as far as human development is concerned, literacy deserves a definite emphasis." "The third human development component – command over the necessary resources for a decent life – is probably the most difficult to measure in a simple manner. It requires data about access to land, credit, income, and other resources ... for the time being, we must make the best use of an income indicator" (p. 12).

Although the UNDP recommends avoiding sectoral approaches, the manner in which it constructs its Human Development Index – based on an equation which adds weighted sectoral indicators – leads public expenditure priorities intended to improve the index to be concentrated on achieving changes in indicators with the heaviest weight in its equation: namely, basic education and health care. Paradoxically, these are the same two sector policies prioritised by the World Bank: "a fast and politically sustainable progress with respect to poverty may be attained by means of a strategy covering two equally important elements. The first one concerns promotion of the productive use of the most abundant resource among the poor: i. e. labour. This requires such policies as to channel market incentives, social and political institutions, infrastructure and technology to that goal. The second one concerns the provision of basic social services to the poor. Basic health care, family planning, nutrition and primary eduation are particularly important" (World Bank, Word Development Report, Povrty, 1990). Once the priority of employment is abandoned, if not contradicted (we will discuss this further below), what remains are sectoral and basic social programmes focused on the poor.

The absence of a substantial theory about the development process reduces the argument on Human Development to a platform intended to establish the negative impact of free market globalisation on the basis of superficial indicators (in this sense, many remarks and recommendations by the UNDP are valid). Although the interpretation of contemporary phenomena and the utopia that guides it differ from that of the World Bank, as far as social policy recommendations to governments are concerned this does not amount to a qualitative difference from the welfare-oriented new social policies scheme, which focuses on immediate needs.

All the while social policy maintains its character of intervention external to the economy, declared shifts in direction (from mere containment to human capital development) are insufficient. And this is not merely a problem of the amount of resources spent or invested in compensation programmes. What might be sufficient in the context of an integrating economy ceases to be so when the corporate economy fully integrates just a small proportion of the population. In order to deviate from this dead path, it seems necessary to go beyond the scope of social policies and to search for alternatives which challenge the market economy institutions themselves.

VI.2.4. The Third Sector: civil society, solidarity, voluntary work, and philanthropy[73]

A) The Social Economy

After the initial shock resulting from structural changes, and because work is still viewed as a social integration mechanism, in North America, Europe and Latin America proposals "from society" are being revitalised or starting to appear, the intention of which is – with relative independence from the state – to bridge the gap of unemployment while achieving the utopian society whose cohesion is supported not only by everyone's involvement in the division of labour, but also by interpersonal and social solidarity links. *This project requires these currents to be reviewed, since urban governments should foster their own policies by supporting or linking this type of collective initiatives*.

For instance, the proposal to develop a social economy sector was originated in the early 19th century. It has now been revisited, to the point where several EU countries have created secretaries of state or units for the social economy. This term generally includes non-profit economic organisations that stand for the values of solidarity embodied in co-operative, mutual, or associative relations between members.

In Latin America, these forms are being disseminated and have been inspired by grass-roots Christian movements.[74] They have an economic, but not profit-making purpose, i. e. to generate economic activities connected with the market, but based on solidarity and democratic relations of production, the objective of which is to improve their members' living conditions. They tend to maintain a distance from government bodies. They are usually organised as local micro-business networks and seek to tackle jointly issues of marketing, financing and access to advanced technology. The ongoing technological revolution permits access to sophisticated communication and information systems and facilitates internationalisation, while giving rise to very significant exceptions to this rule, as is the case with Manos del Uruguay, or Maquita Cuchunchic in Ecuador.

This proposal intends to free economic activity from the efficiency and effectiveness criteria imposed by the capitalist market, and to replace them by social effectiveness. This leads to an ambiguous relation with the market, which is seen as a necessary evil, to be avoided if possible.

Other currents of the social economy and enterprises, advocate the organisation of economic activities which also create community relations, capable of incorporating knowledge-based technologies and supporting themselves through their competitive participation in the market. This requires more complex co-operative relations between systems of enterprises and organisations of

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[73] On this point, see Rifkin (1996); Salamon/Anheier (1996); Salamon (1993); Rofman (1998); Revelli (1998).

[74] See "Carta de Porto Alegre", Encontro Latino de Cultura e Socioeconomia Solidárias, Porto Alegre (Brazil), August, 1998.

the local educational system, in order to develop communities of "local citizens actively concerned with the resolution of problems", particularly social problems resulting from economic restructuring and the exclusion of broad social sectors (see MacLeod, 1995).

Unlike co-operatives or other organisations whose solidarity is limited to their members, *community enterprises* are geared to the welfare of the community at large. The benefits they obtain – seen as a means, and not as an end – may only be invested in their own businesses, distributed among their workers, or invested for the benefit of the community. They are open, and any member of society who wants to contribute and become involved through voluntary work may belong to them. By contrast, they may not be sold. One example is the *Comunidades de Mondragón* in Spain. These economic organisations are not only openly and efficiently linked with the global market, but also seek links with research and education centres, and may even become involved with local governments (MacLeod, 1996). They are managed not only by workers, but also by representatives from the community to whose benefit they are meant to contribute.[75]

Unlike self-supporting social economy enterprises, the Third Sector, according to Rifkin (1996), depends on the continued transfer of resources from the public sector (fiscal redistribution), from the business or market sector (philanthropy) or from society itself (voluntary work). Based on the prediction that paid work as a social integrator is a thing of the past and that there are still local communities with unsatisfied needs, one of its specific objectives is to meet local infrastructure and service needs, in the expectation that this will give rise to new values and will ultimately reposition (voluntary) work as a linking element in society.

Rifkin argues that the Third Sector is not self-supporting, but depends on the continuous transfer of the aforementioned resources (voluntary work, fiscal transfers, money or other private donations) from the other sectors. It neither comprises any political relations nor is it involved in the money market. There may be exchange or other forms of trade and also money-connected activities, though not geared to unlimited accumulation.[76] One difference from the capitalist sector is that its aim is not to make profits but to satisfy needs, an aim which is also achieved through money relations and therefore through the market, to which the whole of the Third Sector is exposed, since access to money (and the goods that are dependant on it) through donations is inadequate.

The Third Sector is composed of non-profit organisations whose objective is to improve people's living conditions. Voluntary work is typical of this sector, although it is acknowledged that financial resourses – in the form of private donations or public grants – are required in order to pay for operational and ser-

[75] This kind of organisation can be found, on a different scale, in some educational or health-care institutions, or even local public utilities.

[76] We can see that social consumption is geared by a complex combination of selfish and solidaristic values (participating in a solidarity network or buying local or national products to foster employment are socially aware forms of meeting one's own needs).

vice supply costs, including payments to some of their workers. Although its economic requirements and consequences are undeniable, it has a paramount social interest: to satisfy the needs of those marginalised and outcast from the new capitalist production system.

According to this view, paid employment and self-employment for money (production for sale) and their agents would be constituents of the First Sector, considered to be the market sector, and virtually identified as the capitalist sector. Ambiguously, the consumption of goods and services deemed basic might also be an economic activity proper to the Third Sector, given the weight assigned to income transfers (social wages) as an instrument for its development, and the revolutionary nature attributed to the new definition of working time/spare time. However, adding this kind of undertaking may not assure that basic needs are met, because of the need for resources mediated by the market and of the historical, and therefore variable, nature of those needs.

If that were the case, how could the Third Sector become more dynamic once those basic standards have been assured? How could it sustain itself and support appropriate psycho-social balances in the sector, in the context of a society in which the paramount values are consumerist innovation? Increasing levels of surplus would have to be made through capitalist accumulation and transferred in order to sustain a social integration with the same consumerist values it generates. This would end up by adversely affecting the First Sector's viability, which is the source of the surplus diverted toward the Third Sector. Furthermore, sustaining a political balance which maintains control over surplus, means raising the issue of the necessity of a drastic change in the operation of a political system increasingly dependent on financial and media resources.

B) The economy of solidarity

This – Christian-influenced – idea has been promoted by Luis Razeto,[77] among others, since the 1980s.

It inspires the actions of a movement promoting economic alternatives for the poor in Latin America, and has been expanded as a result of the crisis in the welfare state and as a reaction to the neo-conservative new social policies.

The starting-point for the economy of solidarity is the idea that interest and private profit are not the only motors to economic organisation, and that it is possible to develop solidarity in different forms, based on the work of beneficiaries and supplemented by donations. Razeto views the existence of a true market of donations, the donors of which may be motivated by altruistic or selfish reasons, but which are channelled through non-governmental organisations that compete for those resources by submitting projects to promote the popular economy.

These actions do not release beneficiaries from their situation as option takers in the face of offers made by intermediaries who, for the sake of their own

[77] Among other papers, see Razeto, 1985, 1987, 1988, 1990, 1991.

institutional subsistence, need poor customers. This possible contradiction between the goal of donations and the interest of intermediaries could only be solved by the agents involved having an ethos consistent with devotion to the poor, and by mechanisms for monitoring and assessing outcomes (see Razeto, 1993).

This imposes strong value restrictions on its agents. They must opt to work for the poor and promote both solidarity and direct person-to-person cooperation, while supporting projects "on a human scale", both at the local and the local government level. On the other hand, the economy of solidarity depends on an "economy of donations", and does not seek to be self-sustainable through the market. Better still, it might try using appropriate technologies, making efficient use of social resources not held in high esteem by the market, and meeting needs the market has no interest in satisfying. Thus it depends on an ongoing flow of donations and on actively sustaining a culture of values other than profit making. Nevertheless, some undertakings could be successful and self-supporting, provided that they adhere to the values of solidarity.

This programme includes the development of such institutions as production, savings, and credit co-operatives, self-help networks and social investment funds, as well as technical and labour training institutes, centres for research and development of appropriate technologies, product design, etc.

Christian views about grass-roots and community work have a stake in society's ability to regenerate itself, and see the market and the state as sources of alienation. In order to preserve the social power that they would bring about (empowerment), proposals consistent with this view envisage development taking place outside the public sector and, if possible, outside the market, so as to prevent political and economic power mechanisms and values from interfering.

However, if it is deemed relevant to put forward a democratic programme that generates from society the conditions for the emergence of another state and another market, it will be necessary to work with strategic visions which simultaneously act on culture, power, and the economy.

C) The social enterprise: giving new value to the market

In classifying the possible target populations for welfare-oriented social policies, Robert Castel (1995: 30) first of all includes disabled persons, who "are exempted from the obligation to work", because they can't do so. He adds: "...however, if the existence of this kind of population is a source of unrest, they do not fundamentally question the social organisation": These groups are usually the responsibility of local governments, who are, in theory, more capable of identifying and caring for minorities.

The advocates of the concept of the **social enterprise** (numerous in Europe; see de Leonardis/Mauri/ Rotelli, 1995), in the face of exclusion and the crisis of work as a social integrator, believe that any alternative response should be solidly based on a critique of welfare-oriented policies, i. e. the paradigmatic proposal that we have termed "new social policies". The basis for an alternative construction, they say, should be the "social enterprise". By this they

mean undertakings which not only produce goods, but „produce society or social concepts": social forms, institutions and behaviour patterns. This is presented as a generation of social (not economic) value added. This type of undertaking "... invests in the only capital it owns: people", and starts by giving credit to people, instead of labelling them as "disabled".

Some examples of this school of action and social thought concern the reintegration of groups of people who had been institutionalised, ostracised, locked up in health-care institutions. The rehabilitation therapy implies integrating them into the market. According to this view, the market not only excludes, "but creates subjects, because it nourishes exchanges, gatherings, experiences, emotions", as an imperfect "instrument of democracy and civilisation" (p. 12).

Unlike those who see the market as an alienating and excluding institution, this concept views it as a possible instrument for integration and emancipation, as opposed to the welfare-oriented alternative. Thinking about a critique of welfare-oriented policies – which are targeted, ghettoising, and dualistic – leads to the recovery of liberating inter-personal relationships, which may imply purchase and sale or production for a known client. It also leads to the assigning of a different value even to the exchange between jobs and knowledge allowed by the market through the intermediary of goods, although the other person may not personally be known to you.

The business and market world could be intersected by the world of social action, which would be able to gain synergy from the combined forces of economic growth and social care, by which both would be enriched. This would imply pulling down "the wall that keeps two worlds sharply apart, and whose polarisation is one of the greatest hazards: the world of production and that of welfare, the world of the state and that of the market, the world of economic interest and that of social justice, of the strict laws of economics and of their social costs" (p. 16) and "...connecting the world of production and the one of social reproduction, employment and non-employment, economic development and social well-being, with redistribution and inclusion processes on the one hand, and processes of demand and market enlargement on the other" (p. 17).

It is proposed that resources and institutions freed up by the fall of the welfare state should be used for the social enterprise. The need is also stressed to "avoid succumbing either to the neo-liberal project of liberation from the state, which throws people into the market and proposes extreme individualism, or to the social-democratic project to reconstruct what was torn down" (p. 15, 17).

Social enterprise strategies "experiment and put forward formulas for making social care productive" "through investment (not consumption) in the production of social well-being", creating productive units which are primarily guided by social policy criteria (limiting the damage done by the market) (p. 19).

"The point of departure of social enterprise strategies is not the world of production of wealth, but the world of distribution and redistribution. The social enterprise is, indeed, a productive strategy, which opts for the social field, reproduction, assistance, redistribution". "The social enterprise is a strategy to change the apparatus of welfare administration and organisation, to invest in

material and human resources which have been deposited in it, particularly the welfare beneficiaries themselves" (p. 26). "This is a strategy for the social sphere (which has traditionally been non-productive, a mere cost, mere expenditure, or worse) to become profitable" (p. 27). Its resources are unused human resources, unused "business cultures", unused public resources, and resources treated as costs. The challenge consists in putting them to work to activate energies (p. 27).

"It would be possible to imagine considerable shares of social policy being used to encourage people instead of assisting them. And that, consequently, thousands of operators might be trained to recognise people's resources and to activate them in the contexts in which people live" (p. 28-29). A key function of the promoter is to reveal as a resource what appears to be useless, and to link it with a project that produces useful goods or services, relationships and self-esteem. An associative project involves reinforcing individual responsibility and mutual trust between members, taking charge of the collective identity ("we" as believable and tried and tested), and of the way it presents itself to the outside. The social enterprise involves a cultural shift which rejects both the total institution and the total market.

Programmes may create "sheltered" conditions, but ultimately they should leave the undertaking in direct and competitive contact with the remaining organisations that compete and co-operate. The aim of social enterprise promotion seems to be structuring solidarity sets (with social value added) which can attain normality, defined as the ability to compete and perhaps succeed with reasonable probability in a hostile context.

Work is the key to the social enterprise, but not only in the sense of exercising abilities and expending energy in exchange for wages or profits, but from an emotional point of view ("about relationships, processes, and production contexts"). The crucial point is "the goal of work: what you do, you do it for your own sake", reducing the heteronomous dimension of paid employment (p. 35).

From this point of view, the Third Sector – between the state (which distributes according to entitlements but cannot really deal with needs) and the market (which can only meet needs via private goods, without ensuring access to everyone) – is "a magmatic universe of forms of association (from the charitable trust to the co-operative) offering goods and services, particularly in the field of welfare. The term 'non-profit enterprise' indicates, on the one hand, the idea that welfare – which has been rendered possible thanks to donations and voluntary service – is transformed into a business enterprise which supplies public goods on a private basis, and on the other hand, the reason why this enterprise is not set up to make profit and distribute profits to its members" (p. 38).[78]

[78] According to de Leonardis et al., the area between the market and the state should be used, but in a special manner: "social strategy enterprises work mostly with whatever creates synergy between the State and the market, with the unresolved hybrids which are not satisfied with parallel quasi-markets or assisted quasi-enterprises". What is at stake is "breaking both the mercantile supply and demand laws through which the beneficiary is a consumer (free, though lonely, and often powerless), and the institutional laws of bureaucratic allowance, through which the beneficiary is assisted (taken in charge, while deprived, if not restricted)" (p. 40).

The problem is social justice: going forward with the legacy of "the old welfare state, its claim to redefine social needs as rights and to exercise a guardianship over the latter as public goods, its promise of social justice". "The intended redistribution collided with a scarcity of resources, thus generating conflicts, corporate struggles and fights among the poor". "The social enterprise invests in the social field, but to produce social justice" (not only to promote basic means of consumption which reach where the market cannot, or at lower costs, or to provide employment to those who work there) (p. 42).

A distinctive aspect of this concept is that it expressly rejects targeting, separating, ghettoising the poor and admits pluralistic values, the combination of individual interests with different levels and forms of solidarity, promoting the combination of institutional, social, cultural, and material resources. It also avoids dogmatism, while recognising two-way freedom and the possibility of evolving toward other forms of enterprise or socialisation.[79]

One limitation of this proposal is that it requires agents experienced in the promotion of this kind of enterprise, and substantial subsidies until the individual enterprise is established and becomes self-sustaining. The profound richness of each micro-experience is not enough to produce the massive effects of scale the present social situation requires. This being the case, it would seem necessary to use semi-automatic mechanisms such as the market – competition, emulation, external cooperation, trade inter-dependence, etc. – and general policies or institutions such as the educational system, in order to maximise the development attainable with the initial organisational and promotional resources and the human capital in general.

Although it is argued that "the ghetto from below" is preferred to the bureaucratic response of social policies, it is suggested that privatisation or transfer of state resources and duties to society is a way of overcoming public bureaucracy and inefficiency. Again, accepting this would imply that the proposed plan of action for tackling the social question does not include the need to make the state itself democratic and flexible. It seems to be being forgotten that in Europe the state emerged from civil society.

D) The urban popular economy

Having been definitly deprived of the opportunity to work, of land to grow their own food and of natural resources to build their own shelter, broad sections of the urban population are viewed by the new social policies as potential targets of a welfare-oriented social policy aimed at providing them with standardised care in their mass – not individual – condition of being "disqualified" from work. They are thus stigmatised and institutionalised, very much as society treats its "madmen" or its "disabled". Additionally, they are made responsible for their fate, since – as official statistics show – other people like them are able to

[79] "The right to defect and the opportunity and the ability to exercise it are inner requisites of subjectivity" (p. 80).

work.[80] This unhealthy pattern – which treats masses of citizens as sick and hospitalises them, while affirming that they have equal rights and opportunities in a market society – is a system of domination and subjection, whose modern ideological and operational instrument, one which pervades the new social policies, is "targeting".

If local governments are willing to participate in the management of these institutions, the usual problems will be lack of resources for prisons, soup kitchens, hospitals, schools with dining halls, never-ending "training" sites, and other public shelters/enclosures intended to keep outcasts out of the sight of and reduce the risks for citizens from the "upper" city. This institutional environment is expected to be fostered by the usual forms of charity, of voluntary aid funded by corporate philanthropy. Summing up, a sector of "civil society" in the Gramscian sense is a functional part – either consciously or not – of a system of control, discipline and hegemonic power.

The only alternative to this is restoring the central role of work as a mechanism for integration, for giving back the dignity of claiming equal rights to all citizens instead of sacrificing it to the shades of "equity", no matter whether by means of paid employment or self-employment, commercial or solidarity work. Given the massive phenomenon of exclusion in cities and the impossibility of "returning home" in the name of domestic self-sufficiency, this can be only achieved by creating new economic structures.

At present, the feasibility of new structures depends not only on the political test, but also on the possibility of rebalancing economic power, generating directly economic forces (market and financing power, economic behaviour of social majorities, etc.) which moderate or regulate the mechanisms that are presently trying to subject any local or national activity (no matter whether financial or commercial, local or global retail, production or service provision, material or cultural) to the capital economy.

Rifkin views the Third Sector as third (social) in respect to the second (the state) and the first (the economy). In this pattern, the "economy" boils down to a market economy, while from the perspective of popular economy it has three sectors:[81]

- a public sector,
- a capitalistic corporate sector, and
- a domestic economy (reproduction) or popular sector.

The mixed economy composed in this way is presently ruled by the logic of capital accumulation, which coexists with two other, different kinds of logic (accumulation and reproduction of political power; extended reproduction of life).

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[80] This ideological job which puts "the abnormal" aside in order to provide them with assistance should not be as easy, since the same statistics reveal the "normal" character of being unemployed, given the high probability of an urban resident going through long periods of involuntary unemployment.

[81] About the vision of urban economy consisting of the sub-systems of corporate economy, public economy, and popular economy, see Coraggio (1998).

This perspective affirms that a restructuring of the labour economy, as temporary as that being experienced by the capital economy, makes it possible to develop – from large cities which form the links in urban-rural networks – a more organic sub-system of urban popular economy. This sub-system would be geared to meeting the needs of the majority, and be capable of becoming partially self-sustaining at the local and regional level, while coexisting, by competing and establishing connections, with the corporate capitalistic economy and with the public economy – as a sub-stratum of small- and medium-sized enterprises, a supplier of human resources attractive to capital, a purchaser and provider, and a taxpayer.

The historical point of departure for such a development would be the socio-economic and cultural matrix of urban popular sectors, currently characterised, among other things, by strong fragmentation and a loss of collective will. This is the result of the release of global market forces, the dismantling of the state, impunity and loss of confidence in justice and the political system, and the dislocation of the identities and forces that characterised industrialism.

The constitution of a sub-system of urban popular economy is said to have an important impact on culture, going beyond the narrow bounds of economics in the sense in which most professionals understand the discipline. It thus involves the promotion of intuitive learning – accumulated by popular agents through their experience of production and reproduction – through new analyses, explanations and hypotheses of historical understanding, and the encouragement of proposals and undertakings based on a critical recovery of the history of isolated or collective experiences which furthered the achievement of better living conditions. It also implies retrieving social utopias, so activists are required: clergymen, artists, communicators, teachers and professors, promoters, experts and intellectuals who share a more solidaristic ethos and a comprehensive paradigm of popular development, and who by their actions help to challenge the generally implanted notion that the economy is an automatic mechanism without a subject, understood only by economics gurus.

However, the organic solidarity required for the constitution of a sub-system of popular economy could not be based on voluntary actions to raise awareness alone.[82] A restructuring of education, health and public services, as well as the regulated incorporation of automatic mechanisms such as the market are required, in order for it to acquire the dynamics of imitation, competitive cooperation and spread of innovation that are necessary to put up a strong resistance to the absorption-exclusion of capital.

Since the free operation of the market does not bring about organic, but fragmented, sectors, the democratic State has a fundamental role to play in institutionalising the moral conditions – a legal framework, restrictions and

[82] The proposals for a solidarity economy, based on exchange and cooperation networks founded on solidaristic values supported by inter-personal relations, and seeking to avoid politics or the market, could not be, on their own, more than valuable focused experiences, since they would not reach a scale as large as that required to overcome the effects of the capitalistic system structural crisis.

regulation on private activities on the market – so that free contracting reaches the popular economic entities through the redirecting of constraints in their favour. This requires political forces and rulers who rank historically as statesmen and are ready to go beyond vote-catching short-term views, by planting in the popular imagination social projects which – although adapted to our times – are similar in scope to projects implemented in our countries since the nineteen-fifties.

The programme which this perspective implies requires considerable resources and a broad social and political consensus. Particularly, if "social" policies and programmes were redirected from local authorities and linked with other urban policies, they would have a high potential to develop more autonomous economic bases for the reproduction of urban popular sectors, thus promoting the development of an urban popular economy.[83] This could be achieved, for example, by the following measures:

- gradually redirecting the means that are currently used for the mere – immediate and dependent – survival of popular sectors toward the development of their abilities and productive resources, by strengthening the effectiveness of solidaristic institutions and increasing their competitiveness on the markets.
- promoting programmes for the defence of the purchasing power of urban majorities, by means of fairs, consumer information, the establishing of co-operative purchasing power, regulating large commercial business and negotiation of procurement policies in order to benefit local production, etc.;
- accompanying social policies by legal reforms which recognise the social efficiency of popular undertakings and encourage them, instead of condemning them as illegal;
- accompanying social policies by cultural policies to strengthen and promote behaviours which can impart value and promote, at a horizontal level, an improvement in the quality of the outcomes of popular economic activities;
- redirecting the contracting capacity of the local public sector (procurements, paid employment, service outsourcing, etc.) so as to optimise its effect on the development of popular economic undertakings;
- generating improved efficiency through synergistic external actions, which may link different resources (universities, the school system, NGOs, technology centres, credit networks, etc.) with appropriate instruments of urban municipal governments, with the aim of creating a basic infrastructure and support service for the popular economy and for small- and medium-sized enterprises;
- doing away with targeting – which is only justified in specific emergencies – lest it leads to a permanent dual society. Instead of homogeneous masses of passive and isolated beneficiaries, moving towards participatory forms of budget management and the co-management of programmes with hetero-

[83] Such potential would not be used at present, since a merely mechanical solidarity is promoted between the poorest sectors.

geneous local communities which are organised and capable of discussing priorities.

Even in the present situation of restricted resources, the efficiency and effectiveness with which they are used would depend – all other conditions being equal – on the linkage between networks and on synergy between the use of the popular economy's own and external resources. (This hypothesis is contrary to the sectorisation and fragmentation that predominates in existing social policies and programmes).

The potential for developing a more organic popular economy would increase – other conditions being equal – along with the ecological and social diversity of the local urban habitat in which domestic groups develop (a hypothesis which is contrary to the proposals to target social policies on homogeneous extremely poor areas). From this perspective, an efficient policy to overcome poverty should take as its subjects and beneficiaries not only the poorest, but also middle sectors whose living conditions have been impaired and/or are at risk of being so, and whose material and cultural resources are significant for a process in which initiative, access to knowledge and to reflexive learning about their own practices are crucial.

The effects of market globalisation may be partially offset by devising socially and economically efficient alternatives for the reproduction of life. For these structures to be sustainable would depend not only on proving that they are effective, but also on majorities assigning cultural values to them. And this would be shown, among other things, in a consistent shift in their consumption patterns.

This perspective helps to realise the structuring (as opposed to just externally compensatory) economic potential of a new generation of social policies (or “socio-economic” policies)[84] centred on action towards self-sustainable human development. The option posed by this proposal is between:

a) the present social neo-liberal policy, which proposes to wait for development to come from outside, attracting it by means of incentives and the promise of a low burden of taxation. This involves a social policy which is less expensive for the public coffers and is designed to maintain households with unsatisfied basic needs or existing below the poverty line in less unbearable living conditions, but without fostering their productive resources or facilitating the realisation of their fund of labour; or
b) a socio-economic policy which is understood as an investment policy for social endogenous development, and is designed to upgrade the skills of all the local communities of households by integrating them into the economic system, strengthening their productive resources and the synergy which may bring about participatory development of the popular economy. This does

[84] A "socio-economic" policy departs from admitting that economic models are very partial and abstract representations of real economy, and that values and other cultural traits, as well as standard of living, including social and communication relations, are a part of that real economy.

not include attracting foreign investment, but encouragement through incentives connected with a different quality of life.[85]

The second option requires the efficient use – as has been argued recently in some social policy reviews (Kliksberg, sf) – but also a large volume of public resources in the short run. In the medium term, its social cost-benefit ratio would be higher, and also increasingly self-sustainable, provided that there is a change of direction from an offsetting policy to a development policy based on strengthening the potential of the economy of labour.

[85] Curitiba may be an example here.

VII. Urban issues and social policy

VII.1. Urban social policy: sector-specific or territorial sphere for social policies?

In the context presented above, what is the scope and special effectiveness of urban policy in the field of social policies? In its most comprehensive sense, urban policy means the set of actions – concerted or merely coordinated – of state bodies with different areas of jurisdiction, and or civil organisations, either public or private, whose express aim is to achieve shared objectives, meet particular demands, and solve the specific problems of each city. This definition does not restrict urban policy to any pre-established set of instruments which can be defined either by discipline (urban issues) or by tradition (what municipalities do), or to any agent or group of agents defined by territory (see Coraggio, 1998).

From this perspective, an urban policy is not equal to "municipal policy" (in an urban district) and the role of the local government would have to be established in each specific situation. It might range from that of a decentralised administrative agent, which only applies the traditional instruments of urban planning or policing power, to a strong executor, mediator and co-ordinator of programmes or actions that influence the sphere of jurisdiction of which it is the representative government. Accordingly, it is not defined either primarily as an urban planning intervention.[86]

The *nature* of a public sector policy does not necessarily change according to the territory on which it is focused, although its design, goals, and specific implementation mechanisms should be in accordance with the conditions of each specific case. The category and structure of the territory (urban, rural, national, regional), for a start, are strongly associated with the kind of agents, skills and instruments which can be activated in order to achieve the objectives desirable for the specific society, the economy, and the political system. On the other hand, urban policy, as a trans-sector policy aimed at an extremely open social sphere (the city) cannot remain outside the overlapping political and social projects or of the game of pressures and demands from business or from

[86] The World Bank (1995 a) defines urban policies as those connected with the provision of urban services: water supply, sewage, urban roads, drainage, subsidies to urban public transportation, primary education and health care. When assessing urban problems, it underscores this: "although in urban services there are deficiencies which have serious economic and social consequences, this does not necessarily mean that expenditure on urban services should be preferred over another type of public sector expenditure, or over private consumption. In a world where resources are scarce, urban services have to compete with others for funds. Therefore, it is necessary to improve urban services' effectiveness, both in terms of distribution (i.e. provide such standard and combination of resources as to reflect consumers' preference), and of technical effectiveness (i.e. obtaining maximum output per input unit)" (p. 32).

organisations representing extra-local interests that intersect it. Nor can it passively absorb them.[87]

In each case, *urban social policy* will have an agenda – either explicit or implicit – resulting from the social problems and from the specific prioritisation of issues to be tackled in each city and country. However, in a globalised world that agenda will inevitably be influenced by the set of paradigmatic guidelines generated by regional or world bodies. This is illustrated by such terms as "targeted social policy", "cost-effectiveness", "efficient social management", "decentralisation", "participation", "community", "third sector", etc., which are presently incorporated into the rhetoric of social policy everywhere.

Since problems have an objective basis and are simultaneously a social construction, the distribution of symbolic production skills between the different sectors of society and of the political system is going to determine the agenda, along with the outcome of the game of forces.[88] In this symbolic confrontation, scientific research into processes and the determination and measurement of their effects also play a role.

What defines the "urban" character of social policy (or of any other sector policy)? On the one hand, the adjective refers to a policy which makes use (with a social effect) of the instruments of urban planning and of municipal government: urban codes for the use of land, land registry, regulation of transit, local public services, local authority taxation system, etc. for the well-being of the population or some sectors of it. On the other hand, it refers to social policies having effects on and/or being addressed to specific deprived sectors within the sphere of a city (irrespective of whether they are national, provincial, municipal policies, etc.).

But defining *any* policy which impacts on urban life as an urban policy would not be acceptable (it would include even policies addressing such sectors as agriculture, the whole of macro-economic policy, etc.), although, as noted, restricting it to the use of instruments derived from urban planning would be too limiting. Therefore, the municipal government should be seen as the local public agent ruling the city, organising alliances and different programmes, employing its jurisdictional instruments and its political power to influence and lead other local agents, but also acting as a mediator with respect to the rest of the

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[87] The World Bank argues that urban policy is a subordinated policy, the direction of which derives from the function of facilitating compliance with macro-economic policy objectives. "Although there are theoretical foundations to the primary approach to effectiveness in the provision of municipal services, in practice, it is not possible to separate those services from other public sector objectives, namely, alleviating poverty, and assuring macro-economic stability" (World Bank, 1995a). According to this perspective, both macro-economic policy and social policy would have a national or transnational scope, and cities would be their specific implementation site. The problem is whether they do so, and in an efficient manner.

[88] Fleury (1995) believes that "the development process of a public policy – understood as part of the dynamics of relations – refers to the establishment of mediation relations between the state and society, starting from the political emergence of some issue, i.e. starting from the moment when forces which support it are able to include it in the political area as a demand that requires an answer from the political power" (p. 130).

system, in order to achieve some local consensual objectives which can be linked between sectors through a system of networks and regions.

Starting from an initial empirical approach, urban social policy (as a sector policy, without yet redefining its link with economic policy) would in fact encompass the following:

- traditional municipal policies (land use coding, food inspection, trade regulation, use of public areas, social housing, transport, rubbish collection, water supply, sewage, pavement and road upkeep, public lighting and cleaning services, etc.) guided by criteria of equity and equality;
- programmes traditionally described as "social", the provision of care – shelter, health, food, etc. – to sectors in particularly harsh conditions of existence (street children, the homeless, shanty towns or slums, etc.);
- promotion of self-managed neighbourhood organisations, aimed at improving their habitat, in a broad sense;
- the new decentralised functions of traditional social policies (education, health-care, temporary employment, etc.).

But it would also encompass:

- strategic social planning, the generation of consensus and the co-ordination of actions, in order to tackle the social aspects of urban issues;[89]
- the *linkage* of social programmes devised at other levels of jurisdiction, but applicable locally in operation;
- representation and mediation of the local society to other authorities, in order to obtain resources and programmes aimed at tackling its specific social problems.

As noted above, and as a consequence of processes involving reform of the state, political transnationalisation, an emphasis on participation, and the transfer or return of responsibilities to society, public policies are increasingly decentralised from the point of view of execution, but not in their overall design which, as argued, tends to focus on the global sphere.[90] As a result of state decentralisation, the municipality tends to assume a large proportion of remaining state

[89] See Borja and Castells (1997): "Housing and social programmes (...) are the responsibility of local and state governments. The federal government only establishes legal and financial frameworks in order to promote equality among citizens. Hwever, critical situations or structural deficits require concerted public policies (either exceptional or permanent) which may be promoted by the national government (...). In some cases, those programmes may involve concerted collaboration between some international agencies and NGOs or neighbourhood associations" (p. 147). See also, *"Projeto de cooperaçao de pesquisa Franco Brasileira"*(1997).

[90] A similar ambiguity may be the case at the intra-urban level. Ziccardi (1998) believes that it is necessary to distinguish between decentralisation and de-concentration. " .. the underlying problem in decentralisation processes is (...) the share of power which is transferred, as well as the character of the grantor, and the receiver. And the notion of "decentralisation" is distinguished from that of "de-concentration" because the latter refers only to changes appearing in the central administrative authority, at the lowest levels, and may be only restricted to geographical deconcentration of central offices to scattered areas, although intimately connected or depending on the centre in multiple areas (...)" (p. 42).

responsibilities in the local sphere, and to raise expectations which put a strain on it.[91]

The definition of the **public subject** of urban social policy is not alien to such larger processes.[92] It is executed by a variable combination of agents with very different projects, resources, and styles, originating in the public sector, corporations, society, international agencies (from UNICEF to the World Bank), or local or transnational non-governmental organisations (foundations and movements with various interests: ecology, human rights, etc). And although the desired goal of actions may be to improve living standards, their political functionality is marked by a global social policy project, as is evident in the pre-occupation with national governance.

Regarding its **sphere**, it is necessary to define whether urban social policy presupposes a delimited area, such as an urban municipality, an urban centre, a built-up area or conurbation, or an urban-rural region or system where urban activities prevail, which may involve not one but several municipalities. In the context of this project, some questions may be valid: how do networks and sub-networks of cities and municipalities become included in this definition? As an area for the exchange of experiences, or as an area for the linkage of urban social policies? How should urban built-up areas divided into municipal compartments be treated? Should the formation of metropolitan governments be sought or is the way forward through inter-municipal associations focused on common issues: water basins, production areas, transport systems, health-care systems, art and sports exchange systems, research and education systems, etc.?

VII.2. The policy and prospects for urban social policy

State decentralisation assigns to city governments the task of addressing social issues from the bases of society. National governments count on them to maintain the governance of the socio-economic system. However, in a context of structural unemployment and massive exclusion, local governments – at the receiving end of the consequences of macroeconomic policies and the force of global economic and technological processes – run the risk of being limited to

[91] García Delgado (1998) argues that this process brings about a new local scenario. "Decentralisation involves larger responsibility, as a matter of fact or of law, which means stronger pressure on municipalities. By decentralising, the central state passes the crisis down (...) following a process whereby municipalities tend to give broader responses, although often with similar resources or without the required technical or management ability. Management of health-care, education and aid to risk groups comes on top of management of traditional urban services. And this need for a broader response involves, in turn, having available broader management skills..." (p. 16).

[92] This does not refer to the fact – already observed under the industrial system – that public policy decisions are the consequence of the interaction of actors (lobby groups, etc.) and of mechanisms proper to a system ruled by different sorts of hegemony, but to the fact that the initiative and implementation of actions in this field is now rather defining an interactive area – competitive/co-operative – than a vertical implementation process. This does not mean that there are not any social policy styles which pervade actions by relatively autonomous multiple actors.

the role of "managing non-employment by staging activities which are inscribed on this absence with the aim of making it forgotten" (Castel, 1995).[93]

Urban development in recent decades has given rise – in many "First" and "Third World" metropolises – to the build-up of an enormous potential for social conflicts, and the resulting infrastructural overload. A reorganisation of the urban world without the loss of governance will only be possible if accompanied by definite measures to fight poverty and to promote the involvement of neighbourhood organisations in planning and implementation. The democratisation of urban planning should be accompanied by the involvement of all social groups and by a social, ecologically acceptable development strategy based on specific national conditions. It is essential for the principle of "sustainability" to be implemented in the practice of urban development policy.

Any state promotion policy should have these qualities. It is not a question of extending the traditional welfare-oriented style that has so far prevailed in European cities, which through a continuous transfer of resources perpetuates the dependence of disadvantaged social groups and large urban areas on state benefits. In the administrative sphere, the new strategy implies that vertical and horizontal cooperation and co-ordination between and within the different jurisdictional levels need improvement, and that public administration needs reorganisation, in order to achieve the resolution of problems and to bring it closer to citizens (Staubach, 1994).

In Europe or in Latin America, if municipalities restrict themselves to being mere local new social policy managers, they will generally have – irrespective of their fate in the global market – a limited field of alternatives: greater or lesser efficiency, a stronger or weaker exchange of votes for the promise of public posts, better or worse marketing of their city.

The strong alternative consists in giving a new significance to social policy by turning it into socio-economic policy. In other words, changing from managing the distribution of limited essential resources to the systematic promotion of sustainable human development, starting at the local level. One comprehensive approach to thinking over this alternative is promoting an endogenously-based sector of the urban economy, driven not by accumulation but by extended reproduction of life, and focused on the comprehensive development of human capital. Because of its nature and complexity, this possibility may only be realised by bringing together, incorporating and enhancing the rich diversity of agents, styles, cultural proposals and initiatives that pervade civil society. This implies replacing the mere local, co-ordinated and efficient assembly of externally defined sector programmes by alveolar micro-actions from society that lead to the definition of comprehensive strategies and democratically concerted local development programmes. This may require another type of municipal reforms, and the opening of public strategic planning authorities to encourage

[93] For the limits and functions of two large social participation cases, concentrated or applied in metropolitan regions of the continent, see Danani, Chiara and File (1998), and Laurell (1994).

participation between the different state levels and a society represented in a democratically effective way.[94]

In Latin America, there are already very substantial attempts toward increased participation (see Annex). However, in general they are limited in concept: they see development as a process which bursts in from the outside through capitalist investment, and they see local conditions as factors of attraction rather than as ends in themselves.[95] In such a concept, the privileged agents of development, including local agents, would be enterprises, particularly large global enterprises, which brought modernity to the city, and their real-time contacts with the global world, with just a passing reference to small- and medium-sized enterprises. As far as the latter are concerned, "development" programmes speak of supporting them through technical assistance and credit, and particularly through promotion of their entry into the external market, either national or global. Meanwhile, there is a proliferation of "incubators" and information centres, which have proved to be of limited effectiveness on their own, given the considerable size of the task.

Progress under this vision is seen in those cases where the notion of the "industrial environment" is incorporated. However, the concept of the "industrial environment" goes much further than the provision of infrastructure and services to industry, something which urban planning traditionally took into account. It refers to a system of institutional networks, guidelines, provisions and resources connected to intangible elements, such as knowledge, enterprise, cooperation, communication, and the spread of innovations. Subsequent progress occurs, therefore, when the concept of "systemic competitiveness" is incorporated, and a promoting government's role is defined in that direction, by encouraging networks and relations, including the system of training and research. However, successful experiences in Europe (namely the Emilia Romagna in Italy) have proved that not only infrastructure, services, and inter-business networks are required in order to induce development where it is not under way. Also required is an administration based on democracy, transpar-

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[94] González Meyer (1994) believes that local development implies producing processes for the accumulation of political, economic, cultural, and administrative skills at the local level. As regards how to address them, "by focusing only on institutional issues, through municipal strengthening or deconcentration of state services, it may be a waste of creative present or potential skills of residents, their organisations, or their mores. Talking from society, through the reinforcement of organisations or experiences, without considering public institutions, results in abandoning the attempt to adapt them to local needs, and in the name of social autonomy, and in neglecting to consider what is ultimately recognised as the key to any social change, i.e. state reform (p. 89).

[95] Storper (1993) argues that any social reform programme should be connected with an economic development programme that considers the realities of the social economy. Any national economy (particularly in Latin America) needs resources – capital goods, financial capital – or external markets. They cannot do without opening their own domestic market. This openness brings about strong pressures to achieve a reduction in costs, to compete with countries where production costs are lower. The only way to break this circle of competition for lower prices implies the improvement of the technological contents of production, in order to establish some "out of price" competitive specialisation areas in the global world economy. This is a technological learning process, and not a mass production one. The question is when "social reform" is a mere footnote, and action is focused on connections with the global economy.

ency and efficiency, along with a dense cultural tissue with values and a history in which solidarity and trust are noticeable. This is where the multiple initiatives which aim to integrate the majority in local society should converge, integration which is an essential condition for achieving a "social environment" that turns into a critical development factor. This is a political task.

Consistent with the business approach,[96] the strategic agreement or planning which have been spreading as a model of cities not only incorporate some methodological outlines of that origin that feed the technocratic tendencies of local administration, but also highlight participation by representatives of the major business organisations in civil society organisations. Companies appear as the agents for development, and entrepreneurs as having the mentalities and cognitive and entrepreneurial skills that are required for competitiveness. Society comes into this scheme as a source of demands that restrain growth, rather than as a resource and motor of development.

This strategic planning approach does not take into account that, beyond the initial consensus required from the organisations involved – private companies, public entities, NGOs and social and corporate organisations of varying scope – sustainable human development depends on a mass of decisions which may have a small impact if taken in isolation but which, if moving in a single direction, may generate very significant mass effects, inducing or impeding the "environment" required, in general, by companies themselves. This has a crucial impact on the quality of the labour force, of the environment, of the social environment (a growing factor in the marketing of local products), on the costs arising from administrative corruption, on urban insecurity, etc.

Approaching the urban social issue calls for a review of all policies and strategies, from the beginning (not only "social policies"), redefining who the agents of change are. It is necessary to overcome the view which juxtaposes active entrepreneurial agents (those who need to be fostered) and passive social sectors (which need to be contained) whose standard of living will depend on the spill-over effect of decisions made by the former. Both groups are fundamental agents, and the role of urban policy consists in improving their opportunities to converge in a shared development programme.

If urban programmes and policies are to be socio-economic and wide-ranging, and to have a comprehensive impact on all the agents, other instruments, such as the mass media and the overall educational system, are required to foster the set of existing networks and social organisations, not to focus on homogeneous poor segments, but on integrating highly heterogeneous local communities.[97] Such a policy is a challenge compatible with a public

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[96] For instance, the reengineering and total quality approaches have started to be applied to organisations whose aim is cultural production, such as educational institutions, whose principals are to be seen as entrepreneurs, and students as customers. See Brent Davies & John West-Burnham (1997).

[97] This should be taken into account in intra-urban zoning, for de-concentration of service centres which bring the municipality close to residents of surrounding areas. The initial tendency is usually to carve out socially homogeneous regions.

management style which is democratic and participatory, transparent, and permeable to technical-scientific knowledge.

In proposing alternatives to urban policy, one should avoid general formulas which are arguably applicable to any city, irrespective of its size, its functions in the global market, its historical social situation, its culture and institutional history, the relative weight of the different private, public and civil agents, the operating framework of national policies, and the nature of the hegemonic political project in each case.[98]

Proposals should be large consensual frameworks for strategic guidance, with broad methodological options, so that each local government and society can adopt a tactical position with multiple programmes of specific action within the framework of a consensual strategy, and are open to the initiative and creativity of different agents in a plural society.[99]

In this way, initiatives inspired by social enterprises, the social economy, the solidaristic economy, voluntary work, by proposals for income redistribution and the redirection of social policy resources, participatory budgets, etc., may find a transcendental meaning and gain a place in strategic planning, since they share the view that social issues should be addressed in order to develop other economic structures which are fairer and as far as possible embedded in a sustainable urban popular economy.

Given the specific nature of urban development and of the management instruments available to local government, some strategic guidelines can be highlighted which, in ten years' time, are likely to mark the “good practice” cases in the global community of cities:

- **changing from the attempt to imitate the entrepreneurial style and criteria to the consolidation of participatory management,[100] including corporate interests;**

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[98] Concerning local development experiences conducted in southern Europe, Hadjimichalis and Papamichos (1990) argue that the main errors consisted in ignoring that "the peculiar characteristics of successful experiences could not be mechanically transplanted to other places. In this sense, a new mythology tends to be established, with a good deal of optimism about the fate of decentralised production, of chances for endogenous development, and of flexible specialisation. This view is founded on an extremely simplistic and erroneous comprehension of social and territorial shifts".

[99] See Arocena (1995): "Local planning implies the existence of local agents capable of taking initiatives (...) There are two major reasons for mentioning local planning. The first refers to the importance of the local or regional scale. On this scale, what matters is the daily social set-up, the specific individual, and his immediate surroundings, as well as the permanent transformation of nature (...) the second reason has to do with social agents' participation. One of the main weaknesses of global and centralised planning was the divorce between planners and main agents. Planning requires knowledge of different realities which can hardly be found in technical central offices (...) Local planning is therefore relevant, based on the scale where data are generated and dealt with, and because it is structured starting from a system of agents capable of bringing their common strategy initiatives to the overall local society, without losing the creative potential of individuals and groups" (p. 22).

[100] See Coraggio (1998 a): "Starting up a process of local development where it is not underway implies a new relation between the public sector, the political system, and social system agents (...). In order to attempt to break with a vicious circle of development that implies its own ‘pre-

- **overcoming the short-term horizon of governance, aiming at an in-depth democratisation of government and municipal management, which is the firm basis for institutional stability;**
- **incorporating a social direction into the technical criteria of urban policy, and of law and order and the exercise of urban police power;**
- **enlarging the concept of urban policy and of comprehensive public policy in the city;**
- **changing from a short-term social policy concept to long-term socio-economic policy;**
- **acknowledge local government as the manager of quality, efficient and transparent services in which users participate;**
- **avoiding welfare-oriented assistance given on the basis of promises of public posts, promoting a sustainable popular economic basis which strengthens local society and the long-term competitiveness of the business sector;**
- **changing from the principle of the unrestricted market to the regulation of public services via municipal federations which strengthen the public position vis-à-vis large privatised companies;**
- **actively exploring the forms of effective inter-local cooperation on the regional and transnational scale, accelerating processes of collective learning, and fostering exchange between local societies;**
- **abandoning false options: state-civil society; state-market; solidarity/market.**

These are options with which any city is confronted. Not every city can expect to become a "global city", but none of them can escape the dialectics between flows and places in a globalised world, and between effective competitiveness and sustainable human development. The context of globalisation, although initially hostile, widens the scope for this sort of urban policy. Inter-local cooperation on the regional, national, international or intercontinental scale, based on a shared paradigm, seems to be an essential condition for considering joint political action aimed at exerting a strong influence on regional and global decision-making, but also for effective co-operation which promotes the direct linkage of economies and societies.[101] The territory, the region and culture meet

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requisites', it is necessary to make the political decision to start up a process, where there are no previous conditions (...). No matter who assumes the first initiatives in order to install, in the public sphere, the question of local development. Some time over the initial generation process, society and the local economy at large must be called from the local state and with a firm attitude, through their social and corporate representatives (...) all of them participants of the production process of expectations, and essential motivations to mobilise endogenous development resources". See Olivera Cárdenas et al. (1991).

[101] Concerning regional disparities, in the case of the European Union, Bianchi (1997) points out that "...there is the belief that the Union will be run better if differences in terms of living standards between different areas of the Union are eliminated. Sharp disparities in basic living conditions of the Community's citizens is a serious obstacle to achieving effective European integration, since marginal areas, characterised by poor infrastructure, dreadful environmental conditions, and an insuf-

again here from a new perspective. Just as the concept of “local issues” should be reviewed from the economic point of view, so should politics. A review of the often-repeated and limited saying “thinking globally and acting locally” is advisable. It is inadequate because it implies that nobody acts globally – as G-7 governments and international agencies in fact do – and that what remains at the local level is short-term and adaptive activism which lacks the guide of analytical thinking about the systems of which we are part.

Conditions for development should be anticipated and constructed, overcoming localism by setting up organically integrated networks of cities and regions, abandoning the idea that the global context (and particularly the economy) is a natural, immutable fact, and generating proposals for change based on sound development practice from the local perspective, but with a national and global direction. As this paper aims to show, a considerable part of that search implies a thorough review of the prevailing social policy paradigm.

Going forward, once more, in the direction of respect for citizens’ rights requires the development of new socio-economic structures, which may be increasingly self-sustainable, have their own dynamics and be equitable in themselves, while counteracting capital restructuring. The resolution of the social issue requires “touching the economy”, not to render it vulnerable and unstable, but to correct the causes of social polarisation and the exclusion of workers, from within. In order for this to be politically feasible, it is important for strong initial investment to be justified, because the new structures will generate resources for growing self-sustenance, and because they will assist in general economic development. Contributing toward guaranteeing it implies that municipalities should develop skills which they do not have generally available.

The viability of social change is rarely achieved on a previous basis; it is rather something to be constructed within the process of change itself. The new urban policy to be defined by each city must develop, in its own way, the conditions for viability. There is no choice: only by way of exception will the social development of our cities be an occurrence without a subject. Political will and an appropriate regulation of conflicts are required. This is difficult without sound democratic relations between rulers and ruled. The control of public resources with popular involvement is required, although they are presently in the hands of senior political and corporate officials. A development such as the one proposed may be blocked by coercive power structures (including the growing power of the mafia) which intimidate free expression and even the majority’s free economic activity, and which seem to require a national, if not global, response. In turn, local governments need to be granted increased autonomy with

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ficient availability of basic services such as water and electricity, are hardly able to participate in an evolutionary and interactive process with regions and countries which, by contrast, have achieved advantageous structural conditions, and which pursue more advanced objectives of economic and social integration" (p. 138). With respect to Mercosur, "Integration into the global system in our societies seems to require that a regional system of city and area networks should conform, so that it may have the systemic ability to produce on the global market, under competitive conditions" (Coraggio, 1998 b: 108-109).

respect to election-geared national party apparatuses, though without becoming prey to local chiefs.

An underlying conclusion of this paper is that technical forms of decentralised management of social policy in cities will not produce the expected results in a context of political vacuum, i. e., without a democratic power which can make hard decisions and back them over time, assuring state strategies and socio-economic policies for cities. This political aspect is not a lateral attachment, but emerges as an essential condition when searching for effective and feasible alternatives to the new social policies which municipalities are being asked to implement efficiently.

Annex: Some relevant examples of urban social policy

The cases summarised below are some significant examples of the new urban social policies. Given the scope of this paper, it was considered unnecessary to include all the cases identified. Those mentioned here are expected to be complemented and enriched by papers of this network.

Montevideo

The Municipality of Montevideo has been developing actions aimed at carrying forward a local development process. In 1990 a decentralisation process was started, with regionalisation of the department into 18 zones, covering the 64 neighbourhoods of the city. Each of these zones is the basis for the start-up of decentralisation and a citizens' participation strategy. Through zonal community centres, actions were developed towards integration with social organisations and with the community. In 1993, a Local Council and a Neighbourhood Board were set up in each of these centres. These two bodies are responsible for programming, conducting and controlling zone plans, such as a survey of the area's needs. In 1994, a Strategic Plan for the city was established, which was designed as an "ongoing participation process which involves the three basic pillars of municipal management: neighbours, workers, and government politicians". This proposal implies linking the public and private spheres, with the municipality having a regulating role. In the specific area of social policies, the municipality tends to comprehensive actions, by considering the different sectors' needs. Programmes, which were developed and executed on the basis of community centres, cover a broad spectrum of actions: caring for children, training young people and getting them into the labour market, support for self-build initiatives and housing improvement, food aid to poor families through schools and intermediate institutions, primary health care, etc.

Source: Britos and Regent, 1998.

Porto Alegre

In 1988, the Municipal Prefecture of Porto Alegre started up a process of innovation and learning about the new forms of government based on participation. The Porto Alegre experience illustrates the necessary connection between politics, the economy, and culture. The main government actions are oriented to the promotion of new activities (development of the small-, and medium-sized industrial park, technological business incubator, studies in cooperation with corporate entities and universities, for the development of a technological pole), support to popular economic undertakings (model fairs for the provision of basic food at very low prices, supply centres, horticultural markets, collective purchasing), transfer of basic means to the popular sectors (school snack programmes for pupils of municipal schools, regularisation programmes for squatted land). Through the participatory budget, investment resources (approximately 17% of the total budget) are channelled to priorities decided on a participatory basis. Almost 10,000 people took direct part in establishing the 1993 budget through zonal meetings.

Barcelona

In 1988, the *Plan Estratégico, Económico y Social Barcelona 2000* was launched. It was promoted by the City Council of Barcelona, and was supported by ten entities which constituted the Executive Committee, and 187 others which formed the General Council. The plan was put in place based on a process of cooperation and search for consensus among all the economic and social agents in the city. Between 1988 and 1990, the plan was prepared: assessment, analysis of strengths and weaknesses, definition of objectives and strategic lines. More than 560 people took part in these tasks. The central objective was defined as to achieve that applying the plan "would impact on the city in such a way that changing its main variables would result in a more attractive, competitive territory with a better economic base, and allowing a modern standard of living". The three strategies outlined are: 1) connecting the city with the network of European cities, improving both communication and transportation; 2) enhancing the standard of living of its residents, through actions in the sphere of environment, housing, health-care, social well-being, and culture; 3) achieving a balanced economic development, creating infrastructure to aid economic activities and supporting development of the economic sectors where some potential has been identified.

Source: Borja and Castells, 1997.

Partial urban development programmes of the Mexico City Government

The Secretariat of Urban Development and Housing of Mexico City has, among its strategic objectives, the promotion of democracy based on participation as a form of government for the city, through: helping citizens to become aware, critical, well-informed, participative, and responsible; promoting social well-being and urban development actions, at the local, zonal, and global territorial level; supporting social and citizens' organisations, thus consolidating autonomous manifestations of local power; fostering programmes of the Urban Development and Housing Secretariat and of the Federal District government, in general in its different bodies.

Its experience of participatory planning, carried out since 1998, is aimed at promoting comprehensive urban development in specific areas of the city. First, 27 partial programmes will be implemented in neighbourhoods in the 16 political-administrative districts of the city, a coordinated inter-institutional action being required, from the definition and planning of actions to execution, evaluation, and follow-up. The emphasis on partial programmes is linked with participation by citizens (social, non-governmental, corporate, workers' union, academic, neighbours' organisations) whose proposals are the basis on which delegations organise the immediate actions to be implemented in neighbourhoods. The criteria that guide this initiative consist of: prioritising care in areas most in need, promoting urban-environmental development, co-ordinating with other public administration sectors in order to devise comprehensive strategies in urban development programmes.

Rosario/Argentine
In 1995, Rosario was incorporated into CIEDU (Centro Iberoamericano de Desarrollo Estratégico Urbano), and initial studies were started towards the preparation of a Strategic Plan. For this purpose, researchers, university specialists and experts from institutions representative of the city were asked to become involved. In 1996, the Promotion Council was constituted (composed of 25 local institutions), which was in charge of launching the first call to prepare the plan. The organisational structure of the Rosario Strategic Plan consists of the following bodies: Promotion Council, General Board (whose members are more than 100 organisations representing different sectors of the Rosario community involved in this initiative); Co-ordination Office (technical-administrative team charged with the organisation of the activities required to develop the plan, and with preparation and dissemination of technical materials); Topic Committees (whose members are representatives from institutions connected with the plan). Four basic topics were chosen for the Rosario Strategic Plan: economic, socio-institutional, physical-environmental, and regional and international projection. Its core is the appeal of the city as a producer of goods and services, as an area for business opportunities, a cultural centre, tourist destination, etc. On the other hand, it is worth highlighting the Social Plan which has been implemented by the municipal government. It consists of a set of programmes covering different administrative topics, the objective of which is “achieving the same status as citizens for all the city's residents”. It starts from the assumption that there is not one economic policy and not one social policy, but that the social aspect is included in all actions performed by the municipality, since “in a state of social exclusion, insecurity is felt not only by those who have been excluded, but by society at large”. These principles have been stated in the Municipal Budget, more than 50% of which is assigned to social programmes.

Villa El Salvador/Peru

The *Comunidad Urbana Autogestionaria de Villa El Salvador* (CUAVES) is the result of a long process which started in 1971 with the illegal occupation of land in Lima, and an example of comprehensive and participatory urban development. The occupiers were transferred to a plot 20 km outside the city, without any basic utilities, and 3 km from the nearest road. Construction of their own community was started by 50,000 people. Now, more than 250,000 people live there. From the very beginning, the urban project's target was to have a self-sufficient town. Four complementary areas were planned: housing, agriculture, industrial development, and tourism. The area where houses are built shows a regular development. Access to services, to community activities, and work is designed on the basis of territorial unity. Each group of approximately 18 blocks defines a residential area. There is a communal building, a nursery school, a health-care centre, a sports area and a central square. Community groups, in turn, are grouped in sectors (20 groups each). There are three levels of community organisation: CUAVES has a block level, a residential group level, and a communal centre level. The same structure of responsibilities is reproduced at the three levels. Representatives for the areas of production, marketing, services, education and health-care are elected in meetings. This organisational model, involving participation and self-management, has been crucial to consolidation of the community. Although until 1983 Villa El Salvador had no municipal autonomy, the general decisions and development plans were outlined by CUAVES. In 1983, Villa El Salvador was granted municipal status, and in 1984 the first District Mayor took up office. The first resolution passed by this governing body recognised CUAVES as the only organisation representing the community.

Cooperativas de Mondragón/Spain

Mondragón Corporación Corporativa (MCC) is a corporation composed of one hundred co-operative enterprises, based in communities in the north of Spain. Its objective is the production and sale of goods and services in the industrial, financial, and distribution area. Its organisation employs democratic methods to select government and executive bodies. The concept of inter-cooperation, understood as the specific application of the solidarity principle and as a pre-requisite for business effectiveness, is crucial to MCC. It is manifested in different areas, and has facilitated greater economies of scale, while in the social sphere the creation of a socio-labour system has been promoted. On the other hand, MCC acts on the community through different instruments: 1) reinvesting most net profits and assigning a portion of community funds to facilitate the creation of new jobs; 2) supporting community development initiatives, particularly in the educational area, through a social work fund, formed by up to 10% of the net surplus from co-operatives; 3) the implementation of a social security policy which is consistent with the co-operative system, based on solidarity and responsibility.

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