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Comparative Urban Studies Project



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BECOMING GLOBAL AND THE NEW POVERTY OF CITIES



Edited by

Lisa M. Hanley

Blair A. Ruble

Joseph S. Tulchin

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and Joseph S. Tulchin**

**Comparative Urban Studies Project
Woodrow Wilson International Center for Scholars**

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INTRODUCTION

LISA M. HANLEY, BLAIR A. RUBLE, JOSEPH S. TULCHIN

Globalization has had a peculiar impact on cities all over the world, as much in the developed world as in the developing world. The accelerating flow of capital, information, goods, and people has tended to reduce the value of assets linked to place, such as harbors, and privileged such characteristics as adaptability and flexibility. By the mid-1990s, cities nearly everywhere were competing for money, people, goods, and knowledge just as corporations once did (and do). Bond-ratings mattered more than unemployment ratings. At the same time, cities were subjected to increasing pressure from more traditional factors, such as in-migration, increasing demands on a deteriorating infrastructure, and the need to maintain a viable system of governance that took into account a growing diversity of population spread over an ever-increasing space. And this at the time when the state everywhere and at all levels was shrinking, losing resources.

Globalization turned out to be an assault on the urban middle class. As the state shrank while the migration into the city continued, competition with the city together with the competition among cities increasingly became a race to the bottom. Professionals and entrepreneurs of all sorts found themselves cut loose as the public institutions, which often supported their success evaporated under the pressures of macro-economic stabilization. Many among the world's urban middle class relocated in response to shifting labor markets; many others simply fell into increasingly severe struggles to retain past life styles, hanging on for too long to what economists were telling everyone had become obsolete jobs and neighborhoods. The opening of markets and the drastic reduction of internal state controls over the economy also meant that many in the working class lost their jobs or had their wages cut, so that the percentages of those living below the poverty line soared, again, in developed countries as often as in developing countries, with the difference that in developing countries there was no tradition of social welfare and no fabric of sturdy institutions to deal with the indigent.

The process of a hollowing out of the global urban middle class and the degradation of the working poor was perhaps most visible in Latin America and socialist East Europe, regions in which moderate prosperity had become inexorably linked to the state. Structural readjustment in Latin America and post-socialist marketization in Eastern Europe created new winners and new losers. In many cities throughout both regions, a new poverty emerged in which previously well-off citizens suddenly found themselves unable to make ends meet. People who were among the most articulate members of their societies; citizens once protected from the destructive consequences of inadequate access to health care, housing, and education; city residents once insulated from the vagaries of the market—were now confronting a new form of poverty.

The chapters to follow attempt to tell the story of what this new poverty means for the people involved and for their cities and communities, and to do so through a parallel examination of how these changes have affected the functioning of urban communities in two regions arguably most affected by macro-economic policies imposed from the outside: Latin America and Post-Socialist Eastern Europe.

Janice E. Perlman begins our journey in the *favelas* of Rio de Janeiro. Perlman's groundbreaking research over three decades ago shattered the myth of marginality when she demonstrated that the poor residents of Brazil's great coastal cities shared many of the same goals and values as middle class residents nearby. Returning to the same neighborhoods she studied in the 1960s, Perlman finds the pernicious impact of subsequent government failure. Cynicism and exclusion have become worse than they were in the past because neither the city nor the national governments have the resources necessary to maintain connectivity between the poor and the society at large. Drawing on Amartya Sen's concept of "capability deprivation," Perlman argues that today's *favela* dwellers are not only poorer in income, but poorer in the capacity to hold their lives together. They are more vulnerable, more susceptible to the damaging realities of their cities, and more likely to be victimized by drugs and violence than their parents and grandparents were.

Patricia Landolt follows the seasonal movement of migrant labor among production sites, often in the United States. This migration ties Central Americans into global networks, leading them to travel deeper into urban environments. As Landolt writes, "the transnational patterns of

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movement and settlement of Central American immigrants has produced new economic activities, novel business strategies, the emergence of new economic actors, and an overall institutional and spatial reorganization of Central America's commercial landscape." It also is producing "poverty, marked by landlessness, seasonal underemployment, joblessness, and low wages." Family strategies for dealing with poverty invariably involve migration of family members to cities connected to the global economy, deepening indigenous poverty and, as with Perlman's *favela* dwellers, increasing marginalization as everyone becomes more dependent on remittances home.

Gabriel Kessler and Mercedes di Virgilio continue by arguing that the new poverty of Argentina is characterized by polarization and heterogeneity, creating a universe made of up "losers in each professional category." What makes this group unique is their diverse social trajectories, acquired prior to their descent into poverty, so the new poor who once had resources such as cultural and social capital, find themselves isolated with a quickly disappearing network. Kessler and di Virgilio explain that the new poverty of the 1990's has unique geographical distribution, hidden in all nooks and crannies of the city, with only 9% of poor households located in squatter settlements. Concluding they note the social fragmentation of Argentine urban society and lack of language and tools to describe and deal with new reality of Buenos Aires. Policy requires a new source of creativity, as the lack of assistance has resulted in ever increasing debts, children leaving school at a young age—a shortfall in human capital that will be nearly impossible to recover, and breakdown in long standing relationships which only further isolates and limits access to opportunities and new prospects for a more secure future.

William Beezely, like Perlman, tries to assess the change in poverty over the period of globalization, reminding readers of Oscar Lewis's landmark research on Mexican poverty. For Beezely, one of Lewis's most important observation was that individual poor Mexicans adapted, learning how to use formal and informal institutions in the city to survive. Inequitable though access to urban services may have been, many poor residents of Mexico City were able to secure social services, schooling for their children, food, housing, and jobs. After Mexico's economic crises during the 1980s, such strategies—imperfect though they may have been—ceased to function as the very services on which the poor depended

often ceased to exist at all. Consequently, like Perlman's *favela* dwellers, Beezely's Mexican poor became more marginalized and isolated.

Stephen Crowley has a very similar story to tell in regard to Russian workers following the collapse of the former Soviet Union and Eastern Europe. Crowley's workers lost access to a set of formal and informal mechanisms which combined to weave a social safety net for most Soviet workers which protected them from poverty. Post-communist marginalization totally destroyed those protections and have not been replaced. Consequently, workers—who are also city dwellers for the most part—find themselves more isolated with fewer support mechanisms than they had at their disposal under Soviet-sponsored regimes. The result, as in Latin America, is often despair and silent anger which can, at times, find outlet in criminality and drug abuse.

Anastashtia Alexandrova and Polina Kuznetsov explain how these trends become imposed on the map of a city—in this instance by mapping the social development of municipalities in the Tomsk region of Siberia. Marketization in Tomsk has produced a very different hierarchy of winners and losers in Tomsk, with greater intra-regional inequality growing together with poverty and unemployment. New winners are to be found, but even the most prosperous areas, such as the regional capital, are hardly immune from the trauma of poverty. Increased access to a “globalized” world has meant for many in Tomsk increased isolation.

The possibility of a new poverty tied to entry of cities into global markets leading to greater isolation and even “de-modernization” is explored in detail in Júlia Szalai's concluding chapter on urban poverty in Hungary. Szalai finds growing persistent poverty in Hungarian towns and cities accompanying a privatization boom, a poverty in which intensified competition for markets have driven many Hungarians to the periphery of their society. Old networks and informal mechanisms for coping have been disrupted as have been formal mechanisms. City residents no longer employed find their very “membership of society” in jeopardy. These problems are particularly acute among Hungary's Roma minority.

Szalai's examination of Hungary brings us back to where Perleman had us begin. Advocates of marketization argue, often persuasively, that more people are better off now than before. However, all of the contributors to this volume argue that those left behind are further behind in their own societies, more marginalized with fewer paths out of poverty than was the

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case before cities were swept up in the accelerated flow of capital, information, goods, and people that we often refer to as “globalization.” The task of urban management is a more difficult one. Dealing with poverty becomes a task of confronting a new form of poverty in which the poor are more isolated than ever. Municipal governments have fewer resources with which to reach out to the poor.

PART ONE

LATIN AMERICA

The Myth of Marginality Revisited: The Case of Favelas in Rio De Janeiro, 1969–2003

JANICE E. PERLMAN

*Yes, but the favela was never the refuge of the marginal, I said
There are only humble people, marginalized
And this truth does not appear in the newspaper
The favela is a social problem (refrain)
And what's more, I am the favela
My people are workers
I never had social assistance
But I can live only there
Because for the poor there is no other way
We don't even have the right to a salary of hunger
Or a normal life
The favela is a social problem.ⁱ*

—*Eu Sou Favela, Noca da Portela
and Sergio Mosca, 1994*

This popular samba, “I Am Favela” reveals a lot about the term “marginal” and its relationship to poverty and to *favelas*. *Favela* is the Brazilian term for squatter settlements, shantytowns, or irregular settlements (known officially by the Brazilian census—IBGE—as “subnormal agglomerations”). There are at least 752 *favelas* in Rio de Janeiro today with approximately 1.65 million inhabitants.ⁱⁱ For the urban poor who cannot afford to enter the formal housing market through purchase or rental, these communities solve the problem by providing a place to live. All of the traditional distinctions between *favelas* and the rest of the city have become useless as boundary markers in today’s reality. This is not

to say that the “formal” and “informal” parts of the city are indistinguishable, but that the standard ways of bifurcating the urban space in this manner (the *cidade partida* or divided cityⁱⁱⁱ) either never applied or no longer apply. For instance, *favelas* can no longer be defined by their “illegality” (as they were originally when people invaded open land on hillsides, marshes, watersheds, and roadsides), as most now have *de facto* tenure.^{iv} They can no longer be defined by lack of urban services, since over time almost all have obtained access to water, sewage, and electricity. They can no longer be defined according to the precarious construction materials of stucco, wood, or scrap materials, as most are now brick and mortar and two stories high or more. They cannot even be defined as “free” places to live as there is now a thriving internal real estate market for rental and purchase, with prices in the most desirable *favelas* of the South Zone, such as the famous Rocinha, rivaling those of regular neighborhoods.^v Finally, they cannot be defined as communities of misery or chronic poverty as not all the people in *favelas* are poor and not all the urban poor live in *favelas*. In fact, today, as in the 1960s, there are great differences in wealth and well-being both within and between *favelas*. This is clearly demonstrated in the research directed by Andre Urani while Municipal Secretary of Labor, and after that as President of IETS, the non-profit Institute for the Study of Work and Society, based in Rio de Janeiro.

The only remaining distinction between *favelas* (often called *morros* or hills) and the rest of the city (commonly referred to as the *asfalto* or pavement) is the deeply-rooted stigma that still adheres to them. Even after 10 years of the *Favela-Bairro* Upgrading Program, which reached hundreds of Rio’s *favelas* with the intention of integrating them, at least physically, into the surrounding neighborhoods by such improvements as street paving, plazas opening onto the surrounding streets, individual household connections to water, sewage and electricity, and the dredging of polluted streams, there is still no doubt in anyone’s mind where the *morro* ends and the *asfalto* begins.^{vi} The 12 lines selected from the samba above get to the very core of this stigma. The composers make three critical distinctions: 1) that between “normal” people with rights to a decent life and the poor, who have no rights and no choice; 2) that between honest workers, who represent the majority of *favela* residents,^{vii} and criminals; and 3) that between the derogatory term “marginal,” designating criminals, and the term “marginalized,” implying that *favelados* — or residents of the *favelas* —

Population of Favela Residents and Total Population of the City of Rio De Janeiro (1950 – 2000)

Year	Population of Favelas (a)	Total Population of Rio (b)	a/b (%)	Favela Growth Rate by decade	Rio Growth Rate by decade
1950	169.305	2.337.451	7,24%	–	–
1960	337.412	3.307.163	10,20%	99,3%	41,5%
1970	563.970	4.251.918	13,26%	67,1%	28,6%
1980	628.170	5.093.232	12,33%	11,4%	19,8%
1990	882.483	5.480.778	16,10%	40,5%	7,6%
2000	1.092.958	5.857.879	18,66%	23,9%	6,9%

are actively excluded by an unjust and corrupt system that is complicit in the reproduction of inequality and the production of violence.^{viii}

The songwriters embrace the *favelas* as themselves, declaring with pride that they do not accept “handouts” (social assistance), and with bitterness that even when they are working they do not earn a “salary of hunger”—i.e., enough to feed their families. This situation is born out by the statistics.^{ix} Their ironic refrain is that “the *favela* is a social problem.”^x Indeed, in every decade since the 1950s, *favela* growth rates have exceeded those of the “formal city.”^{xi} Both the number of *favelas* and their physical extension have exacerbated the perception of these communities as a “problem” and not a solution. The very existence of *favelas* was long denied; only since the 1970s have they been allowed to appear on city maps. Before that, they were depicted as empty green areas. Their continued existence and proliferation challenges the legitimacy of the social system that created them and is a source of constant unease and fear.

This is precisely the way in which the ideology of marginality justified the eradication of *favelas* in the 1970s. Insofar as the *favelas* were considered a “social problem” and a “blight on the city,” the remedy was to remove them, burning or bulldozing down houses built up over generations, destroying all of the painstakingly acquired household goods, and forcing the residents into garbage trucks, which took them to public housing complexes (*conjuntos habitacionais*) in remote areas of the city. One of these, the *Cidade de Deus* (City of God), was recently made famous by the Oscar-nominated movie of the same name. The film is based on a 1997 book by Paulo Lins, who grew up there but no longer lives there. Lins has said publicly that conditions of life there have not improved and, in fact, are worse today than what he described (Lins 1997).

I found the use of the garbage trucks to be particularly symbolic. The prevailing wisdom was that since the *favela* shacks (*barracos*) were made of scraps and discarded material from construction sites and appeared to be precarious piles of garbage perched on the hillsides, the people who lived in them were dirty discards as well, and should be disposed of to “sanitize the city.” The massive removals coincided with the height of the dictatorship’s power and with the new construction technologies that made it possible to build luxury condominiums on the now-valuable slopes rising above the city in Rio’s South Zone. In the period from 1970 to 1973, over 101,000 people were forcibly removed from *favelas* in Rio and relo-

cated into public housing projects, generally several hours and costly bus rides away from the previous sites of life and work.

THE BACK STORY AND THE RE-STUDY

In the early 1960s, as an undergraduate anthropology student, I spent three months doing research in fishing and agricultural villages in the interior of Bahia.^{xiii} I was looking at the way young people form their values, world view, and aspirations for their future. What I discovered was that the arrival of the transistor radio in these remote areas—which had no roads, no mail service, no electricity, and almost no connection to the outside world, apart from the yearly visit from the priest, the periodic stops by traveling salesmen, and the occasional return of a local who had served in the marines—gave people access to the world beyond their village boundaries for the first time. The sense of open-ended opportunity beyond what they had ever known was compelling.

Young people no longer wanted to die in the arms of Yememjá, the Goddess of the waters, or to work with the hoe, as had their elders across generations. They wanted something exciting and unknown, namely the “big city,” “where the action (*movimento*) was.” This longing, coupled with the hardships of life in the countryside, led to a sea change—a massive out-migration from the countryside to the city—not only in Brazil but all over Asia, Africa and Latin America.^{xiii}

In 1968–69, following this flow of cityward migration, I conducted research in one of the major destination cities, Rio de Janeiro. I met the trucks, known as *pau de arrara* or “parrot’s perch,” (because of the way people sat on flat wooden boards laid across the back of the open trucks), which brought the migrants into the city. I discovered that the poor ended up in one of three places. After several nights at the city shelters or on the streets, they often managed to contact a relative or someone they know from their hometown and went to a *favela* either 1) in Rio’s upscale residential area (South Zone), 2) the industrial working class area (North Zone), or 3) in the peripheral Fluminense lowlands in the then state of Rio.^{xiv}

I therefore selected one *favela* in each of these three areas^{xv} and lived in each for six months, doing participant observation as well as interviewing a total of 200 randomly selected men and women, between 16–65 years old and 50 leaders in each community. The three communities were

Catacumba, a *favela* in the wealthy South Zone, which was removed in 1970, and whose residents were relocated to more distant public housing, including City of God and Guaporé-Quitungo; Nova Brasília, a *favela* in the industrial North Zone, which is now a battleground between police and drug traffic; and Duque de Caxias, a peripheral municipality in the Fluminense Lowlands (Baixada Fluminense) where I selected three *favelas* and the five poorest neighborhoods of unserviced lots.

The survey instrument I used included a life history matrix which recorded yearly changes in residence, occupation, education, and family history. The results of these interviews, along with the stories of the communities themselves and the impact of public policies, became the basis of my book *The Myth of Marginality: Urban Poverty and Politics in Rio de Janeiro* (UC Press, 1976; in Portuguese: Editora Paz e Terra, São Paulo, 1977). This work provoked a paradigm shift in the conceptualization of the urban poor from “marginal” or outside the system to tightly integrated (and functional) to that system, but in a perversely asymmetrical manner.

Thirty years after the initial research, I embarked on a quest to see whether I could locate the original study participants and explore what had happened to them over that time period. Due to the strong social networks created and maintained in *favela* communities and to the fact that I hired local residents—often the children of the original study participants—to look for the original interviewees, we were able to find 41 percent of the original study participants, or 307 of the original 750 people.^{xvi} After conducting open-ended interviews to begin to understand the changes and to update the questionnaire with the appropriate framework, mindset, and vocabulary, we revised the survey and re-interviewed all of the original study participants that we were able to locate. We also interviewed a random sample of the children (367) and the grandchildren (208) of the original participants. Finally, we interviewed new random samples and leadership samples from the original communities to explore patterns of change in the composition and living conditions of the communities themselves in relation to individuals in the panel.^{xvii}

This chapter explores the transformations in the concept of marginality as a prism for understanding urban poverty in Latin America, the use (and misuse) of the word and its power to define people’s lives and justify public policy. The case of the *favelas* of Rio de Janeiro is used as a way to ground the discussion in temporal and spatial specificity.

DEBUNKING MARGINALITY'S MYTHS

The concept of marginality has been debunked, deconstructed, dismissed, and then rediscovered and reconstructed over the past decades. I researched and wrote *The Myth of Marginality* during a specific historical moment in the context of widespread fear of “masses” of poor migrants arriving from the countryside and invading the “citadel” of the city. The quotation below, written by the agency officially responsible for the *favelas* in Rio de Janeiro, sums up both official and popular views of the era.

Families arrive from the interior pure and united...in stable unions. The disintegration begins in the favela as a consequence of the promiscuity, the bad examples and the financial difficulties there...young girls are seduced and abandoned; they get pregnant but don't feel any shame...liquor and drugs serve to dull the disappointments, humiliations and food deficiency...The nights belong to the criminals...one can hear the screams for help. But no one dares to interfere for fear they will be next...Policeman rarely penetrate the favela and then only in groups (Fundação Leão XIII, Favelas of Guanabara, 1968).

My work was part of a profound critique of the prevailing paradigm of the time regarding the urban poor and the irregular settlements they lived in.^{xviii} In the modernization literature migrants from the countryside to the city were seen as maladapted to modern city life and, therefore, responsible for their own poverty and their failure to be absorbed into formal job and housing markets. Squatter settlements were seen as “syphilitic sores on the beautiful body of the city,” dens of crime, violence, prostitution, and social breakdown. It was widely assumed that comparing their condition with the surrounding opulence would turn squatters into angry revolutionaries. Such was the fear of the Right and the hope of the Left.^{xix} The view of squatters as “other,” not part of the urban community, was the common sense view of the population at large, legitimized by social scientists, and used to justify public policies of *favela* removal. Marginality was a material force as well as an ideological concept and a description of social reality.

Beginning in the mid-60s, several seminal writers including Alejandro Portes, José Nun, Anibal Quijano, Manuel Castells, Florestan Fernandes, and Fernando Henrique Cardoso challenged this conventional “wisdom.”

Figure 1. The Concept of Marginality

	PROPOSITIONS	CONCEPTS
SOCIAL	Internal disorganization. The favela lacks internal social organization or cohesion; its residents are lonely and isolated.	<ul style="list-style-type: none"> • Voluntary associations • Friendship and kinship • Trust and mutual help • Crime and violence
	External isolation. The favelado is not integrated into the city; he does not make wide use of the urban context and he never feels fully at home in it.	<ul style="list-style-type: none"> • Urban adaptation • Familiarity with city • Heterogeneity of contacts; • Use of the city • Use of urban agencies • Mass media exposure
CULTURAL	Culture of traditionality. The favela is an enclave of rural parochialism in the city.	<ul style="list-style-type: none"> • Religious orientation • Openness to innovation • Family orientation • Empathy • Fatalism • Deference to authority
	Culture of poverty. The favelado as a reaction and adaptation to his deprivation develops and perpetuates a culture of poverty.	<ul style="list-style-type: none"> • Suspicion of others • Crime and violence • Family breakdown • Pessimism • Aspirations
ECONOMIC	Economic parasitism. Favelados are a drain on the urban economy, taking out more that they give.	<ul style="list-style-type: none"> • Employment and income • Consumption • Contribution to infrastructure
	Economic parochialism. Both the culture of traditionality and the culture of poverty contribute to an economic parochialism in the favelado.	<ul style="list-style-type: none"> • Work ethic • Education and job training • Entrepreneurial values

Figure 1. *Continued*

	PROPOSITIONS	CONCEPTS
POLITICAL	Political apathy. The favelado is not integrated into city and national political life.	<ul style="list-style-type: none"> • Internal political structures • Political interest, saliency, and information • Electoral participation • Direct political action • Use of administrative channels
	Political radicalism. Because of their frustration, social disorganization, and anomie, favelados are prone to leftist radicalism.	<ul style="list-style-type: none"> • Alienation • Demand for structural changes • Class consciousness • Nationalism

Source: Perlman 1976: 131.

Empirical studies in Latin American cities including Rio de Janeiro, Salvador and São Paulo, Santiago, Buenos Aires, Lima, Bogotá, Mexico City, and Monterrey served to discredit the propositions of marginality and the erroneous stereotypes surrounding the urban poor. Mangin and Morse each wrote excellent review articles on the subject, which appeared in the mid-60s and early 70s. These works, along with my own, showed how the concept of marginality was used to blame the victim in academic and public policy discourse. We demonstrated that there was a logic and rationality to the attitudes and behaviors in slums, and that there were strengths and assets in the squatter settlements of Latin America that belied the stereotypes of deficits, deficiencies, disorganization, and pathologies of all types.

The way I approached this in *The Myth of Marginality* was to create an “ideal type” synthesizing the collected body of literature regarding the social, cultural, economic, and political dimensions of marginality into a series of eight propositions and their component concepts, such that they could be empirically tested in the specific context of Rio de Janeiro. This concept is reproduced in figure 1.

I found that despite virtually universal acceptance at all levels of society, these propositions did not correspond to reality. My research showed them to be “empirically false, analytically misleading, and insidious in

their policy implications.”^{xx} *Favela* residents were socially well organized and cohesive and made wide use of the urban milieu and its institutions. Culturally, they contributed their slang, soccer, and samba to the “mainstream,” and aspired to improving their lives, particularly educating their children. Economically, they did the worst jobs (often more than one) for the lowest pay, under the most arduous conditions, with the least security. They consumed their share of the products of others (often paying more since they had to buy where they could get credit), and they built their own houses and the physical infrastructure for their communities. Politically, they were aware of and keenly involved in those aspects of politics that affect their lives, both within and outside the *favela*. They cooperated with the clientelistic politicians, bargaining astutely with candidates for city council member, while being submissive and apolitical under the rules of the authoritarian regime. Radical ideology and the intelligentsia’s hoped-for propensity for revolutionary activism were completely absent. The reference group for *favelados* was not the rich neighborhoods that surrounded them but the impoverished rural families they had left behind.

My conclusion was that the *favelados* are not marginal, but inexorably integrated into society, albeit in a manner detrimental to their own interests. They are not separate from or on the margins of the system, but are tightly bound into it in a severely asymmetrical form. They contribute their hard work, their high hopes, and their loyalties, but do not benefit from the goods and services of the system. They are not economically and politically marginal, but are exploited, manipulated, and repressed; they are not socially and culturally marginal, but stigmatized and excluded from a closed class system (Perlman 1976: 195). This continues to be the case today.

The power of the ideology of marginality was so great in Brazil in the 1970s that it created a self-fulfilling prophecy, justifying *favela* removal and, therefore, perversely creating precisely the disaffection and disconnection that was assumed to be the danger to a stable social order. The characteristic of *favelas* as providers of a cost-free solution to the lack of affordable housing, access to jobs and services, and tightly knit communities within which reciprocal favors mitigated the hardship on migrants and their families, was annulled by these policies.

The ideology of marginality, with its moralistic “blaming the victim” narrative has persisted in the face of blatantly contradictory evidence, in no small part because of its multi-functionality in:

The Myth of Marginality Revisited

1. justifying extreme inequality and obfuscating the inability of the system to provide even minimal living standards for a vast subset of its population;
2. preserving the legitimacy and “fairness” of the rules of the game;
3. depressing wages and lowering the cost of services, which served to maintain their own subordinate position;
4. providing a scapegoat for a wide array of societal problems, and allowing others to feel superior, while legitimating the dominant norms;
5. “purifying” the self-image of the rest of society (what I call a “specular relationship”) by considering the “marginals” the source of all forms of deviance, perversity, and criminality;
6. shaping the self image of those labeled as marginal such that *favelados* often internalized the negative attributes ascribed to them and faulted their own ignorance, laziness, or worthlessness for their lack of “success”; and
7. dividing the popular sector, thereby preventing them from coalescing into a unified political force (Perlman 1976: 250–259).

Those with vested interest in the status quo benefit from the existence of a permanent “marginal mass,”^{xvi} not only in a reinforced sense of superiority, but also in the economies of reduced costs of production and reproduction. Despite significant changes in Brazil’s political and economic context over the past 30 years, this reality has only deepened.

TRANSFORMATIONS AND CONTEXTUAL CHANGES

Looking at how the meaning and repercussions of the concept of marginality changed over the past 30 years and how the lives of the original interviewees and their children evolved is especially interesting in light of the macro transformations in Brazil’s political economy and in the city of Rio de Janeiro itself. The original study was conducted at the height of the Brazilian dictatorship, brought about by a military coup on April 1, 1964. A gradual political *abertura*, or opening, starting in 1974 led, through a series of incremental steps, to the end of the dictatorship in 1984 and 1985 redemocratization. After a long period of repression of all civil liberties, the “right to have rights” movement finally prevailed and, with the new constitution of 1988, even expanded.

This redemocratization process created space for community groups, federations of community groups, and non-profits working in *favelas* to flourish. Some of these were focused on the rights of citizenship and actions to overcome past social injustices. Others were organized around cultural activities, such as theater, dance, and filmmaking; sports, from capoeira to soccer, volleyball, wrestling, and rowing; reclaiming weak or even lost racial or ethnic practices, such as the Afro-reggae movement, African drumming, music, and dance. Still others were organized around gender or religion, including preserving candomblé and umbanda, rediscovering Catholic liberation theology, and—most important in terms of numbers—the Evangelical movement. Like the Resident’s Associations that had started in the early 60s to represent their communities and press for collective demands, the associations were originally independent, but soon began to create linkages and informal networks with political parties, labor unions, or both. The Federation of the Residents’ Associations of the State of Rio (FAFERJ) became so politically “connected” that its president, Jô Resende, became deputy mayor in the first open election for local government.

In economic terms, the country went from the economic “miracle” of the 60s to the hyperinflation of the 70s, the so-called “lost decade” of the 80s, and the attempted stabilization of the 90s. In 1993, the then-Finance Minister Fernando Henrique Cardoso introduced the Real Plan, which pegged the value of the currency to the U.S. dollar. This controlled inflation and temporarily raised the purchasing power of the poor,^{xxii} but did not solve the problem of economic growth, which remained low during the 90s. The past 15 years have seen financial instability, growing unemployment, and persistent inequality. The political system and the discourse on poverty may have changed, but the country remains one of the most unequal in the world. The top 10 percent of Brazilians earn 50 percent of the national income and the poorest 20 percent have 2.5 percent of the national income (UNDP 2003). 34 percent of the population lives below the poverty line (IPEA 1999). And, among the nine metropolitan areas, Rio de Janeiro has had the lowest rate of social mobility in the past decade (Pero 2002).

The global economic shift from manufacturing to services, from resource-based to knowledge-based production, and from place-based to mobile capital accumulation had negative repercussions particularly for

Rio de Janeiro, and for the largely unskilled favela population, even more so. De-industrialization, specifically the decline of the steel and shipbuilding industries in Rio, led to the loss of hundreds of thousands of jobs.^{xxiii}

Structural adjustment policies including privatization and reductions in the size of the public sector, social spending, real wages, subsidies for basic staples, and worker protections and job contracts, deepened the regressive effect^{xxiv} and Rio became increasingly reliant upon its large informal economy (both illicit and illegal) and a relatively small modern service sector.

The erosion of the social contract^{xxv} undermined long-standing worker protections and social guarantees that could have helped to mediate the negative effects of economic and institutional restructuring.^{xxvi} In fact, when we asked which politician had most helped people and families like their own, the answer most often given was Getúlio Vargas. Vargas set up the rudimentary protections of the welfare state during his populist regime during the Estado Novo (1930–1945). Fifty-four percent of the original sample is living on state retirement pensions instituted during that time. The fact that unemployment rates are twice as high for the second generation as for their parents is telling. In the 1969 study, 31% of the sample had been unemployed for more than a month, whereas among their children (who are now of comparable age to that of their parents when we did the original study), it is 65%.

The primary barriers to livelihoods for the urban poor are:

1. the dramatic loss of manufacturing in the Rio de Janeiro Metropolitan area, which has left thousands of blue collar workers unemployed;
2. the consolidation of the physical space of the city and consequent reduction in construction jobs (which had been a mainstay for unskilled and semi-skilled workers in the boom of the 60s and 70s);
3. the belt-tightening of the middle class, which, along with increases in electro-domestic appliances, fast food, and take-out services, has led to a steep reduction in domestic service employment (typically down from live-in maids receiving free room and board plus 5–6 day/week pay to 1–2/days/week), which was the single major female livelihood source in 1968;
4. technological advances that have replaced many labor-intensive jobs with a few high-skilled ones;

5. higher educational standards for job entry due to structural gains in educational levels;
6. the increase in drug-related violence in the *favelas* which has depressed the value of the rental and sales properties there; and
7. the pervasive stigma against *favela* residents reflected in the job market even when the applicant meets all other qualifications for employment.

At the community level, there were also major transformations over the three decades. Catacumba, the South Zone *favela*, had been removed in 1970 and most of its residents relocated to two adjacent public housing projects called Guaporé and Quitungo. Some of them were sent to the now (in)famous Cidade de Deus (City of God). Nova Brasília, the North Zone *favela*, had become a thriving commercial center and part of an enormous complex called the Morro de Alemão, which became notorious as one of the most dangerous *favelas* in the city due to its level of drug-related violence. Caxias, as one of the municipalities in the Baixada Fluminense, had experienced rapid population and economic growth. However, the three *favelas* we studied there had not benefited from the economic growth. Instead, they suffered from the massive factory closings. By contrast, the five low income, unserviced areas of small lots had turned into working-class neighborhoods and were doing much better. In fact, there was so much turnover of the original owners or renters of the lots—and so little community cohesion there—that we had the most difficult time relocating the original study participants in those very locations.

THE UN-MAKING AND RE-MAKING OF MARGINALITY^{xxvii}

The term marginality was not widely used in academic or activist circles after the critiques of the 1970s. Those scholars who did write about it after the publication of *The Myth of Marginality* and other key works of the period, focused on de-coupling the theories of marginality from the phenomenon of marginality.

With the democratic opening in the mid-1980s, voices of opposition emerged and the discourse on urban poverty turned towards the less “toxic” (see Sachs 1992) concepts of social exclusion, inequality, injustice, and spatial segregation. Each dimension of marginality seems to

have re-appeared in a new, more benign guise, within the new architecture of progressive analytical discourse. Social marginality became a discussion of “social exclusion”; cultural marginality a conversation about “otherness”; economic marginality turned into “capabilities deprivation,” “vulnerabilities,” and a re-thinking of “livelihoods” and “assets”; and political marginality became a dialogue about lack of voice, citizenship claims, and rights. These concepts, developed by activists and intellectuals sympathetic to the urban poor, placed the blame for intergenerational and persistent poverty on the underlying structures of the state and society, rather than on the deficiencies and deficits of the poor. They also exposed how being poor can annul the fundamental dignity of being human. As Dagnino writes:

As part of the authoritarian, hierarchical social ordering of Latin American societies, being poor means not only economic, material deprivation but also being subjected to cultural rules that convey a complete lack of recognition of poor people as bearers of rights. In what Telles (1994) has called the incivility embedded in that tradition, poverty is a sign of inferiority, a way of being in which individuals become unable to exercise their rights. The cultural deprivation imposed by the absolute absence of rights, ultimately expresses itself as a suppression of human dignity, then becomes constitutive of material deprivation and political exclusion (2003: 5).

This eloquently demonstrates the interconnectedness of material, cultural, historical, social-psychological, and political dimensions of the constant process of marginalization. In any case, each facet of this process of making the poor invisible or dehumanized has been developed into a body of literature with a particular lens for viewing the problem. I will touch briefly on just three of these: social exclusion, (pseudo) citizenship, and capabilities deprivation.

Social Exclusion

The *Atlas for Social Exclusion in Brazil Vol. 2* divides social exclusion in Brazil into two periods of time: from 1960–1980, defined as old exclusion; and from 1980–2000 as the new exclusion. The old social exclusion, based on indicators of education, illiteracy, and low income, focused on migrants from the countryside, highlighting the plight of

women and blacks. The new social exclusion incorporates those born in a metropolis with higher levels of education and consumption of collective urban services and household goods, but with problematized insertion in the job market. New exclusion includes, for the first time, white Brazilians.

Naila Kabeer describes social exclusion as “the phenomenon of being ‘locked out’ of participation in social life as a result of the active dynamics of social interaction rather than as a condition of dependence stemming from some anonymous processes of impoverishment” (1999). She uses it as a multidimensional concept in which “factors of power relations, agency, culture and social identities come into play, an environment in which individuals do not have access to public resources, as a result they are able to contribute but not able to receive.” This is reminiscent of what I described above as asymmetrical integration.

Attempts to differentiate the 1960s concept of marginality from the current concept of social exclusion often appear arbitrary and confused rather than nuanced and clarifying.^{xxviii} In our study, we found that among the multiple dimensions of social exclusion faced by the urban poor in Rio, the stigma of living in a *favela* is the most powerful, with 84 percent of respondents claiming it as the most important factor. Other important barriers to making a livelihood were the stigmas based on skin color (80 percent), appearance (74 percent), origin (60 percent), and women (53 percent). In other words, living in a *favela* is perceived as more prejudicial than being dark-skinned, poorly dressed, a migrant, or female. In the discussion of incomes below, I show the pernicious effects of this stigma on reducing returns to education for *favelados* and non-*favelados* in Rio.

New Citizenship or Pseudo Citizenship?

In the Latin American countries whose dictators have been replaced by democracies over the past 20 years, Brian Roberts claims “citizenship has replaced class as a means of analyzing the political struggles and plight of the poor” (2003: 15). Aside from the traditional civil liberties and voting rights, citizenship now implies a broader set of rights to participate and voice opinions in political contests at all levels, benefit from transparency and accountability in decisionmaking, and enjoy freedom from unjustified abuse by the authorities. The term “new citizenship”

has been used to analyze the plight of the urban poor and “citizenship from below” is used to describe social movements and participation in poor local community organizations, who may be more inclined to local level action, having learned to distrust a distant and discredited state (Goirand 2003).^{xxix, xxx}

During Brazil’s military dictatorship, the fight for citizenship and for “the right to have rights” was seen as highly subversive. In a series of Institutional Acts from 1965 to 1974 direct elections of mayors, governors, and presidents were suspended. In addition, regime opponents were routinely arrested, tortured, and disappeared. *Favelados*, however, were not generally in the ranks of protesting students or workers. For the urban poor, lack of citizenship was not a salient issue. When I conducted my original study, I would ask *favela* residents what their duties and rights were and the typical response to both was “to obey the law and the authorities.”

With the gradual “opening” and return to formal democracy, it was assumed that the accountability derived from direct vote for mayor, governor, and president (all of which had been appointed positions during the dictatorship), would give the urban poor greater bargaining power and a stronger voice with which to negotiate for community improvements. This has happened to some extent in that such programs as *Favela-Bairro* would have been unthinkable in the past, but the poor do not feel they have gained a “voice” to be heard in the political arena. My use of the term “(pseudo) citizenship” points to this dashed hope—a *de jure* but not *de facto* citizenship.

The return of party politics provided ample opportunities for a return to clientelistic modes of manipulation of the urban poor. The demons of graft and corruption, kept under wraps during the dictatorship, began to flourish openly. The structure of Brazil’s deeply entrenched system of privilege keeps *favelados* from partaking of the fruits of democracy and they remain marginalized, or asymmetrically integrated, just as they had been during the dictatorship.

When asked what had changed since the end of the dictatorship, our study participants said that despite improvements in housing, transportation, sanitation, and access to—but not quality of—education, health services, personal security, and the economic situation had gotten worse. Most disappointing of all was that they feel *more* excluded and less

empowered to bargain (or negotiate) with authorities than before. The *favela* residents were deeply disillusioned by democracy's unfulfilled promises of increasing justice and equality. They interpret the lack of accountability in part by saying that Brazilian people do not have the capacity to make good choices for their political candidates. The percent saying this increased from 1969 to 2001 and rose further with each generation.

Interviewees were skeptical about government's intention and ability at every level. When asked to rate each level of government as helpful, neutral, or harmful, the interviewees ranked their national government and the international agencies as doing more harm than good. Their most favorable rankings—for state government and municipal government—were still strikingly low. Only 37 percent thought state government was helpful and 25 percent thought municipal government was. In short, only a minority had anything favorable to say about government at all.

Rio's urban poor have seen so much corruption, heard so many empty campaign promises, and felt personally so insecure, that I often heard a note of nostalgia in their narratives for the safety and relative peace they experienced during the military regime. Evidently this disillusionment with democracy is becoming widespread in Latin America, and a new "failure of democracy" industry is sprouting in the press. A recent UN survey of 19,000 Latin Americans in 18 countries reported that "a majority would choose a dictator over an elected leader if that provided economic benefits."^{xxxii} The Latinobarómetro surveys show this to some extent, but less for Brazil than some other Latin American countries.

This is also in line with our finding that the bottom line for Rio's urban poor is the desire for remunerated work. People across the board said that a "good job with a good salary" (or "decent work with decent pay" in the informal sector) is the "single most important factor for a successful life." Other issues such as good health, education, housing, land tenure, good governance, and even personal security were considered secondary.

Thus, the issue of inclusion in citizenship or that of political and civil rights cannot be divorced from that of poverty, or "freedom from want." As Dagnino says:

Without the fundamental rights of a decent income, health, education and security, Rio's urban poor will continue as mere cogs in local and regional political machines being greased by new forms of clientelism. The notions of

“lack of citizenship” or “new citizenship” never gained much currency among the favelados because their living conditions never permitted them the luxury. Instead, other actors such as NGOs, political parties and academics were the ones that had the leisure to coin new terms for describing what in fact continues to be structural impediments to full participation in the decision-making process for allocating public resources (2003: 5).

In this regard, Brazil’s first Labor Party President, Luiz Inácio ‘Lula’ da Silva, who was elected in 2002, has been considerably challenged in confronting urban poverty and unemployment. In the face of international financial institution stipulations—namely debt obligations and maintenance of a 4.25% fiscal surplus—Lula has had little room to maneuver in the social arena, causing people in the *favelas* (and the poor in general) to feel betrayed by one of their own. Instead of more jobs and increased social spending on job-creation and job readiness programs, Lula opted to tow the conservative free-market IMF line, putting him in a tough position to live up to hopes created by his personal history and political campaign. He has ended up cobbling together social programs put in place by his predecessor, Fernando Henrique Cardoso, and making matters worse by taking an extremely partisan (rather than professional) approach to his political appointments, and tolerating blatant graft and corruption in his government (Bearak 2004).

Capability Deprivation

This then brings us full circle to the discourse on the forms and consequences of economic marginality. How can a country or a city thrive while rendering irrelevant a quarter or even a third of its population? What does this represent in loss of potential intellectual capital? lost productive capacity? reduced consumer power? reduced cultural contribution? What does it bode for a fragile democracy needing all the help it can get, and for the values and behaviors being transmitted to the next generation?

This is where Amartya Sen’s discussion of poverty as “capability deprivation” and not simply low income becomes helpful.^{xxxii} Sen deems capacity deprivations as “intrinsically significant,” as opposed to low income, which may be a temporary condition, or may be only of instrumental importance for attaining some other goal. The deprivation concept, as it takes into consideration various influences and circumstances (other than low incomes),

can *result* in a condition of poverty. This is seen daily in the *favelas* where the very stigma of living in a designated “non-place” confers low status, exclusion, mal-treatment, and derision, independently of a person’s assets, livelihood or overall income. Common examples are the termination of job interviews when *favelados* disclose their place of residence, or the furniture purchase that is deemed non-deliverable when a *favela* address is given.^{xxxiii}

Poverty may also be considered independent from income. Crises, illnesses or accidents can prevent continued earnings while using up savings and eventually assets as well. Sen views the relationship between low incomes and low capabilities as varying between different groups, families, and individuals, and often contingent upon personal characteristics. This goes back to the fundamental issue of ascribed versus achieved characteristics. An interesting contrast from our study is that between two brothers from Nova Brasília, Pedro and Gilberto. Pedro always meets me in his brother Gilberto’s house, saying his own shack is too precarious and small to receive visitors. His brother’s house is one of the nicest in the community. When I ask them why one has done so much better, they laugh and say Gilberto was always the hard worker and the one who applied himself and “planned ahead” while Pedro was more laid back and content to drink beer with his buddies, rather than focus on his studies and bathroom and kitchen tiling work. When Pedro gets *biscate* (odd jobs) he generally spends the money rapidly, perhaps by paying debts or treating his friends, but never putting any aside for savings.

What we discovered about livelihoods, vulnerabilities, assets, and capabilities deprivation is the subject of a separate piece, but the key points are that:

1. The move from an illiterate rural life in agriculture (or fishing) to a literate urban life in manual labor was a great leap in socio-economic mobility for the original interviewees or their parents.
2. There have been major improvements in collective consumption of urban services and in individual consumption of household goods over 35 years, but this has not served to reduce the perception of increased inequality between the *favelados* and the rest of society.
3. Significant gains were made in education by the children of the original interviewees, but these gains are not fully reflected in better jobs.^{xxxiv}
4. Unemployment rates for the urban poor are now higher than during the late 1960s.

Job loss, especially for unskilled and semi-skilled labor, and the rising bar of educational requirements for jobs^{xxxv} has excluded many *favela* residents from the formal job market, leaving informal economic activities to fill the gap.

Comparing incomes between *favelados* and other Rio residents shows a strikingly lower rate of return to educational investment for those living in *favelas*. This holds up even when controlling for age, race and gender.

MARGINALITY IN “STREET TALK”

Returning to the theme of marginality, it is obvious that by any other name it depicts an equally condemning reality. Whether re-labeled “social exclusion,” “(pseudo) citizenship” or “capabilities deprivation” in academic discourse, the bottom line is that perhaps a third of Rio’s 12 million people are rendered non-persons.

If the term “marginality” has been discredited and largely disappeared within academic and non-profit circles, it never lost its caché on the streets. It continues to have the dual connotation of indicating either the “poorest of the poor” or “outlaws and criminals.” The conflation of these meanings in itself says a lot about the criminalization of poverty in Brazil.

The following excerpts from focus groups in São Paulo *favelas* conducted in 2000 cover both connotations as well as reinforcing a sense of respectable superiority by distinguishing “us” from “them.” In one session, marginals (*marginais*) are described as:

...people who live under bridges or on the street, eat garbage, collect junk and cardboard, beg, depend on charity for food and clothes, and never send their children to school. They may use a piece of cardboard as a mattress and tin cans for cooking, and their shelter may be nothing more than a plastic bag. They do not want anything more from life. They are the ones most abused by the police (Melo 2002: 379).

In another community “marginais” were portrayed as “having no scruples, being thieves, murderers and drug addicts, trying for the easy life by harming others” (Melo 2002: 379). Still a third group was recorded as saying:

A few years ago, 50 percent of this community were marginais, but nowadays it is zero [because people have either improved their circumstances or have been squeezed out]. Our reality is like this. We must not be passive. We must always strive for a better life. But at least we have our little shacks to sleep in, our TV sets to watch, and our daily meals. We are neither beggars nor marginais (Melo 2002: 279, emphasis mine).

Favela and *conjunto* residents in Rio de Janeiro tell another story. Since the mid-1980s, drug trafficking, arms trafficking, and general violence have increased dramatically in Rio. The city became a central node in the subdividing and trans-shipment of drugs (mainly cocaine), with most of the activity conducted within the territory of the *favelas*, taking advantage of the absence of “full protection of the law” in those communities and of networks of complicity within the police, the judiciary, and the political structure at all levels.

With this, the word “marginality,” which already connoted “*bandidos*,” came to refer to organized criminal gangs and drug traffickers. For example, when in the *favelas* I am often told to avoid certain areas because they are controlled by the “marginality,” or that it is too dangerous to stay after dark because of the “marginals.” Many friends in both *favelas* and *conjuntos* confided to me that they were thinking of moving out after all these years due to the fear that their children would become involved in “marginality.” When used in rap and funk lyrics the term is often turned into a defiant bravado, “we are the marginalized,” sometimes calling for an uprising or revolt.

Since much of the violent drug-related activity takes place within, or at the entrance points to the *favelas*, there has been an un-doing of the fragile acceptance and coexistence of *favelas* and their surrounding neighborhoods that started to appear during the period of *abertura*. The unfortunate conflagration of marginal as poor and as dangerous easily re-asserted itself reinforcing former prejudices that all *favela* residents are criminals, harking back to the earlier quote from the Fundação Leão XIII. While the press points out the many innocent victims of the cross-fire between police and gangs, the middle class once again fears proximity to the *favelas*. This is reflected in the job market, the real estate market, and the consumer market.

ADVANCED MARGINALITY

Beginning in the late 1990s, the term marginality itself began to reappear in academic circles, in discussions of persistent poverty in first world cities. Terms such as “the new underclass,” the “new poverty,” “the new marginality,” or “advanced marginality” started to describe the conditions of the chronic poor in the black ghettos of the United States and in the migrant slums of Europe. The idea is that advanced marginality reflects the current stage of global capitalism, implying conditions for a truly non-integrated, irrelevant mass of population relegated to the territorial spaces of self-perpetuating ghettos.

Loic Wacquant has developed this concept most fully starting with his 1996 article where he describes the “contiguous configuration of color, class, and place” in the Chicago ghetto, the French *banlieue*, and the British and Dutch inner cities. He posits a distinctive post-industrial marginality characterized by new constraints, stigmas, territorial separation, dependency on the welfare state, and institutions within “territories of urban relegation” (Wacquant 1996).

Below, I pick up on the four key “structural dynamics” that Wacquant suggests are reshaping urban poverty in advanced industrial societies, and explore how they apply (or not) to the reality in Rio de Janeiro and Brazil.^{xxxvi}

Social Inequality

Social inequality in “advanced marginality” persists and even grows within the context of overall economic prosperity, in part due to the elimination of jobs for unskilled workers, along with multiplication of jobs for university-trained professionals. Brazil is one of the most unequal countries in the world despite some recent improvements; and Rio is a sharply stratified city, yet we cannot say that the social inequality exists in the context of overall prosperity. Rio’s economy cannot be considered “prosperous” and the de-industrialization along with job loss for unskilled workers has only increased inequality. In open-ended discussions many *favelados* talk bitterly of the increased gap between rich and poor, and cite exclusion and inequality as factors which have gotten worse over the past years, as seen in the comments below by an ex resident of Catacumba who now lives in a self-built family compound abutting the Housing Projects in Guaporé:

When I first met you, I thought that if I worked very hard all of my life and took on extra work in the evenings and weekends; and if my wife did so as well, we would manage to become “people” (gente). We have raised our two daughters, sent them to good private schools, retired from our jobs with full benefits and are both still working full-time, yet we are further from the “normal people” now than we were then—we are “light years” away.

Absolute Surplus Population

Wacquant relates absolute surplus population to the mutation of wage labor, implying a degradation and dispersion of the conditions of employment with a high percentage of “redundant” workers—many of whom will never work again—alongside widespread poverty for those who do have jobs (due to low pay and the exploitation of temporary workers). As discussed above, Brazilian unemployment levels are among the highest in history, with Rio among the metropolitan areas suffering most. There has been a weakening of the labor unions and an erosion of conditions of formal employment. The informal economy masks what might be considered a surplus population. One quarter of the households of our original *favela* sample reported at least one person of working age as unemployed, but the majority of households include at least one person currently active in the labor force (and often several), and the percent of those with formal employment (as measured by a signed labor contract, or *carteira assinada*), has actually risen from 1969 to 2001, and is higher for each generation studied. In short, we are not seeing an absolute surplus population among Rio’s poor, whether in *favelas* or housing projects or low income neighborhoods.

Retrenchment of the Welfare State

Retrenchment of the welfare state is characterized by social disinvestment, with programs targeted at the poor being cut and turned into instruments of surveillance and control. To apply this to Brazil, it must first be noted that the country never had a highly developed welfare state of the kind seen in Europe or the United States. As in other Latin American countries, Brazil has been undergoing a process of reform, rationalizing its state social expenditures. However, there has been an expansion of social programs focused on the poor—both under the past and current presidents, and by state and local governments. Brazil is now one of the leading countries in

the world in conditional cash transfers, which move towards a negative income tax (or “citizen’s wage”) through giving each poor person a credit card (*cartão único*) which the Federal government deposits a monthly amount of credit, contingent on such measures as keeping ones children in school, getting them vaccinated, or demonstrating need in a variety of categories (pregnant or nursing mothers, etc.).^{xxxvii}

Food vouchers, educational vouchers, *Bolsa Escola* (for each child 7–14 who stays in school), vaccination vouchers and family vouchers, *Bolsa Família*, were the precursors of this integrated plan. These were started under the government of Fernando Cardoso and, after some resistance, are being continued and expanded upon by Lula’s government. Meanwhile, the state government opened several “popular” restaurants, serving food for one real (about 30–40 cents) and other targeted populist programs of a similar nature, and the city government has been an active partner in *Favela-Bairro* and is now complementing the infrastructure works with programs for women, young children (1–6) and the elderly in the same communities. President Lula has pledged a campaign of zero hunger and full land regularization for squatters.

In our re-interviews with our original study participants, there is a strong presence of the welfare state in the form of retirement payments. These are a major source of income for a majority of households; some 58 percent of the original interviewees reported that their retirement payments are now their principal source of income, and, for household heads it was even higher (66 percent). Retirees receive about one “minimum salary” per month, which is equivalent to about US\$90.^{xxxviii} In many cases, an entire extended family consisting of several unemployed children and young grandchildren is being supported by that retirement check. The pension is sometimes supplemented by the “*cesta básica*” (a basic food basket) as distributed by religious groups.^{xxxix}

In short, the retrenchment of the welfare state seen in the US and Europe is being paralleled by an expansion of the welfare state (although not without problems of corruption and inefficiency) in Brazil.^{xl}

Spatial Concentration and Stigmatization

Wacquant posits that spatial concentration and stigmatization is “physically expressed in hard-core areas of outcasts, territorial stigma and prejudice, and in a diminishing sense of community life.” Although *favelas*

may not be “hard-core areas of outcasts,” they are certainly stigmatized and are losing some of the sense of community trust and unity that had earlier characterized them.

In response to a question of kinds of discrimination, the one most often mentioned was that of “living in a *favela*” (66 percent), with skin color as a close second (65 percent). A diminishing sense of community life was also striking. In the 1969 study, 56 percent regarded the people in their community as being “very tightly united” whereas today only 12 percent feel this way.^{xii}

Our findings on spatial concentration do not coincide with the model, but patterns in other cities from São Paulo to Buenos Aires are much closer to those Wacquant describes. First, not all of Rio’s poor are in *favelas* and not all *favelados* are poor. *Favelas* are spread throughout the city fabric, and their residents are quite heterogeneous — racially, socially, culturally, and economically. In contrast to the total racial segregation characterizing the new marginality, Rio’s *favelas* have always been racially mixed. At the time of my original 1969 study, the random sample showed that 21 percent of *favelados* were black, 30 percent mulatto, and 49 percent white; these percentages are almost identical in the current study. Secondly, *favelas* in Rio are not concentrated in any one area of the city, but are intermixed geographically with more prosperous neighborhoods. Indeed, some are so well located that rental and sales prices are higher than those in certain parts of Copacabana or Botafogo, which are both upper and middle-income areas (Abramo 2001).

Perhaps the most striking finding contesting the premise of advanced marginality is that *favelados* are not “forcibly relegated” to staying in their communities.

As shown in the chart, only 37% of the original randomly selected study participants we found and re-interviewed are still living in *favelas*, while 25 percent are in public housing projects (*conjuntos*), and 34 percent in neighborhoods—mostly located in the periphery of the city. Among the former community leaders in the sample, only 11 percent are still in *favelas* and 61 percent are in neighborhoods. Their descendents are even more likely to live in a legitimate neighborhood, with a majority (51% and 58% respectively of the grandchildren of the random and leadership samples now in the formal sector of the housing market.

Where are they now?

	Type of Sample	Favela	Public Housing Complex	Neighborhood
RANDOM	Original Interviewees	37	25	34
	Children	36	16	44
	Grandchildren	32	13	51
LEADERS	Original Interviewees	11	21	61
	Children	24	17	56
	Grandchildren	28	6	58

Socio-economic status is significantly related to the type of community, with those in neighborhoods doing significantly better. We can conclude then, that despite a significant degree of inter-generational persistence of poverty, we have robust evidence that the poor (even the black poor) are not consigned to “bounded territories of urban relegation” (Wacquant, 1997).^{xlii}

DRUGS AND VIOLENCE: THE NEW REALITY OF MARGINALITY

The most dramatic and devastating change for Rio’s poor over these decades is not mentioned in the four points above—it is the growth of lethal violence within the *favelas*.^{xliii} In 1969, people were afraid of their homes and communities being removed by the government. Today they are afraid of dying in the crossfire between drug dealers and police or between rival gangs—the Red Command and the Third Command, in particular. During the first study, only 16 percent said that violence and crime were the worst things about living in Rio; today 60 percent think so. The fear for personal safety is well justified. In 2001 one fifth of the original interviewees, (20%) reported that some member of their family had died in a homicide; and this was not just because they are now elderly—19% of their children and 18% of their grandchildren reported the same experience, showing levels of violent death comparable with those

seen during civil wars, and much higher than that of cities in Colombia or Bolivia, which are drug-producing countries (Dowdney 2003).

One of the most perverse results of this new “sphere of fear” is the decrease in social capital, one of the few great assets for getting out of poverty, or at least for attaining relative improvement in one’s life conditions. Nowadays people are simply afraid to leave their homes. As a former Catacumba and current Guaporé resident put it:

To live in a place where you do not have the liberty to act freely, to come and go, to leave your house whenever you want to, to live as any other person who is not in jail. It is imprisoning to think: “can I leave now or is it too dangerous?” Why do I have to call someone and say that they shouldn’t come here today? It is terrible, it is oppressive. Nobody wants to live like this.

This fear diminishes the use of public space, leads to less socializing among friends and relatives, fewer memberships in community organizations, less sense of trust and less networking. Thus, news about informal jobs and casual work of all types that was passed easily along the grapevine is now more difficult to come by and people no longer know who they can trust. Comparing the participation of the original interviewees in 1969 with that of their children in 2001, the one exception to the drastic decrease in participation is the Evangelical church. The percentage of respondents saying they attend religious meetings fell from 49 to 38 percent, while the number participating in a residents’ association fell from 31 to six percent and in sports clubs, 15 to two percent. For many women, religious activities are their one opportunity to get out of the house and the one “leisure” activity they permit themselves.

Another indicator of the changing times, as well as the new isolation is the decline in the sense of community unity. For example, among the people interviewed in 1969, 60 percent said the community was “very united” and 15 percent said “lacks unity”; whereas in 2001, among their children and grandchildren, 5 and 10 percent, respectively, said “very united” and 55 and 58 percent respectively said their community “lacks unity.” This might be attributed to lower levels of mutual aid in housing projects and legitimate neighborhoods as compared with *favelas*. But even in the *favelas*, there is much less sense of unity than before. People feel trapped between the drug dealers and the police. They feel the police do

more harm and provide less help than the drug dealers, but see both as disrespectful of life in the community. When police enter the *favela* on raids, they barge into people's homes, break down their doors, knock them around, and destroy their possessions, all under the pretext of searching for a hiding gang member. The gang members provoke this by putting a gun to a resident's head and saying, "hide me here in your home or I will blow your brains out." The main drugs in the 1960s were beer or cachaça (sugar cane rum) and marijuana, and the instruments of violence fists, knives, or broken beer bottles. Hard drugs and arms are now ubiquitously sold and used and the dealers have more advanced weapons than the police.

CONCLUSION

What we have been observing over these decades is the transformation from "the myth of marginality" to "the reality of marginality." In 1969, there was widespread hope that the sacrifices made by the cityward migrants would open up wider opportunities and a greater degree of choice for their children, if not for themselves. This is one reason the expected radicalism of the squatters never materialized.^{xiv} New migrants were not angered or frustrated by the disparities between themselves and the upper classes surrounding them in Rio because they were comparing their future perspectives with those of their counterparts who remained in the countryside. Although their children have better urban services, more consumer goods and more education, they are suffering from the devaluation of that education in a changed job market, the entrenched stigma associated with living in *favelas* (or *conjuntos*), and a bleak outlook for their future, made more deadly by threats on their lives from the drug and arms traffic. Their communities are the epicenter of ongoing battles between various factions (gangs) and the police.^{xlv}

The author of the song "Soldado do Morro," MV Bill, is a 30-year-old rap star, a popular militant leader, and a key representative of Cidade de Deus' citywide *favela* network, CUFA (*Central Única de Favelas*). The song is a refrain on major themes of marginality that have been discussed in this article. First, marginality is the creation of society, not the fault of the poor. Second, the poor are trapped between dealing drugs (which destroy their community and themselves) and trying to get a job in a situation where even the humiliation of begging is fruitless. Third, even the lucky

few who get a job for a minimum salary and work overtime still cannot support their families. Fourth, policemen and politicians who are supposed to be protecting them are also guilty of crime and violence. Lastly, those like the “soldado” are expendable and their deaths are simply statistics for daily news, seen as just one small victory in the fight to rid the city of “bad elements.” The Soldado do Morro chose a path of early and violent death and protests the injustice of the system that fails to produce alternatives for him and others like him. This element of defiance and “disgust,” as he calls it, is heard in many rap songs and is one of the vehicles for exposing reality and calling for collective action.^{xlvi}

The lives of the poor have always been cheap, but due to today’s drugs and arms traffic, they been devalued even more. Death rates in the *favelas* are much greater than in the rest of the city and for youth surpass civil war numbers.^{xlvii} The subtle forms of complicity in manipulating the poor and the well-documented abuses of clientelism reflected in unfulfilled promises of community upgrading have now become obvious between gangsters, police, the judiciary and elected officials at all levels. This new violence may be the ultimate manifestation of the marginalization of the poor, the reality of marginality.

*Many is the time I've felt less than a man
Unemployed, with my child going hungry
It's easy to criticize me
Society created me and now demands my death
Condemning me to die in prison
Transformed into television news*

*I've been a beggar, already humiliated myself
Pleading for a job, "I have a small child, good sir"
Long waiting list, me and 300 others
After an eternity, "no openings at the moment"
The same story every day, all this generates revolt
I am hooked, who is to blame?
Those who are making this war, never die in it
I distributed the drugs that destroy the favela
Making money from our reality*

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*I am caught between crime and necessity
Those who should be providing protection
Invade the favela with weapons in hand...
Those who come seeking our votes, they too have killed*

*The life of crime is slow suicide
Bangú, 1, 2, 3, my friends inside there
I am involved, I know the outcome
A negative balance, minus one marginal
For society to count, one fewer on the list
Adding weight to a sad statistic...*

*I don't know which is worse, turning into a bandit
Or killing yourself for the minimum wage...^{xlviii}*

—MV BILL, “Soldado do Morro”
(Soldier of the Hillside) from the album
“Traficando Informação,” 1999

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NOTES

- i. Sim, mas a favela nunca foi reduzido de marginal, eu falei / So tem gente humilde, marginalizada / E essa verdade não sai no jornal / A favela é um problema social / É mais eu sou favela / Minha gente é trabalhadeira / E nunca teve assistência social / Sim mas só vive lá / Porque para o pobre não tem outro jeito / Apenas só

- tem o direito a um salário de fome / E uma vida normal / A favela é uma problema social (Souto de Oliveira and Marcier 1998: 102)
- ii. According to studies done by the Planning Department of the city government, The Instituto Perreira Passos, using aerial photos, quoted in “O Globo,” April 20, 2003. According to the official 2000 census there were only 516 *favelas* with a total population of 1,092,476.
 - iii. Refer to Ventura, Z., for popularization of the idea that the city of Rio is divided between the “legitimate city” and the “illegitimate city.”
 - iv. Legal land tenure is still problematic, and will likely be embroiled in legal proceedings for the foreseeable future, efforts by international agencies notwithstanding. However, official ownership documents for the houses—called “Habite-Se” are being prepared by the Municipal Secretary of Urbanism, and will be distributed to all *favela* residents. (Interview with Alfredo Sirkis, Municipal Secretary of Urbanism and Environment, March 31, 2004). According to Lu Peterson, the Municipal Special Affairs Director, the *Favela-Bairro* participants do not want land tenure to be legalized as they do not want to pay property taxes and they feel secure in their land use as is. When asked why they are not interested in using land title as collateral for loans, they repeatedly say that they do not want to assume any loans without a sure way to re-pay them, which they do not have. They are adamant that it is too risky to use their homes or land as collateral.
 - v. On the comparisons of rental and purchase prices in *favelas* and various areas of the city, see Abramo (2001).
 - vi. *Favela-Bairro* is the most ambitious and extensive squatter upgrading program implemented in Latin America (and perhaps the world). It is funded by the Inter-American Development Bank, with contributions from the National Caixa Econômica and local municipal government. Of the 752 *favelas* existing in Rio to date, it has reached 144, starting with the smallest and then medium-sized. The proposed replenishment would allow for adaptations in order to deal with the largest settlements. This funding has already been approved, but the national government is evidently blocking the transfer of funds to the city of Rio due to an agreement in the last municipal administration not to incur further municipal debt.
 - vii. Although they may not always have jobs, being honest and hardworking is the core component of respect in the value system of the *favelas*. Being called a hard worker is the highest form of praise. In fact, one of the reasons I was so fully accepted when I lived in the *favelas* in the 1960s was the fact that I worked on my research days, nights, weekends, which was greatly admired. It became so popular to be interviewed for the study that we had to devise a fake short version of the questionnaire to apply to those people who could not accept that they had not been chosen in the random sample. That in itself shows the high degree of importance of being heard and having one’s experience legitimated.

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- viii. For more on the relationship between inequality and violence, see Cano (2004).
- ix. In our study, 80 percent of the people have a monthly income of 170 *reais* or less but only 18 percent think this is sufficient for a “decent life,” i.e. the basics of food, clothing, and shelter. Sixty seven percent stated that 300 *reais* per month would be the bare minimum for a “decent life,” but only 19 percent earn that much or more.
- x. This last refrain brings to mind the song “Officer Kropke” from *West Side Story* in which the gang members of East Harlem lament “Hey Officer Kropke we’re down on our knees, no one loves a fellow with a social disease.” For contemporary references to people as dirty or as “social diseases” see Anderson (1995) and Trigo (2000).
- xi. With the single exception of the decade of the 1980s when over 100,000 people were forcibly evicted by the policy of *favela* removal. See Chart in text. Data from 2000 IBGE Census.
- xii. The fishing villages were Jaua and Arembepé (now a famous hippie destination). The agricultural village was Abrantes, all in the municipality of Camacari. It should be noted that the word “interior” in Portuguese does not connote distance from the ocean but distance from the major city in the region.
- xiii. Brazil went from 45 to 74 percent urban between the 1960s and 1980s. From 1965–1980 rural–urban migration grew by an average of 4.3 percent per year. According to Werner Baer, in the time period from 1960s to the 1980s, three out of every five rural Brazilians migrated to urban areas.
- xiv. In 1975, the state of Guanabara, where the city of Rio was located, was merged with the state of Rio de Janeiro, where Caxias was located.
- xv. The three communities were Catacumba, a *favela* in the wealthy South Zone, which was removed in 1970, and whose residents were relocated to more distant public housing, including City of God and Guaporé–Quitungo; Nova Brasília, a *favela* in the industrial North Zone, which is now a battleground between police and drug traffic; and Duque de Caxias, a peripheral municipality in the Fluminense Lowlands (Baixada Fluminense) where I selected three *favelas* and the five poorest neighborhoods of unserviced lots.
- xvi. The re–study began in 1999 with a Fulbright grant and seed funding from the World Bank to test the feasibility of relocating the original study participants. We went to six states to track them down, and continued until 2001. Those who were the most difficult to find were the people who had lived in the in Caxias. For further information on the study and the findings, see Perlman (2004). Further funding from the Tinker Foundation, DFID (the British aid agency), the World Bank and other contributors made it possible to bring the work to fruition.

- xvii. In this phase, we interviewed 400 randomly selected men and women 16–65 years old and 25 leaders from each community (total of 1275 interviews), following the same study design as the original work.
- xviii. As Auyero (1997) puts it, “Almost three decades ago, in what would later become one of Latin America’s most original and controversial contributions to the social sciences, a group of sociologists tackled...the escalation of urban marginality. Working within a structural-historic neo-Marxist perspective, they recovered the notion of ‘marginality’ from the realm of modernization theories (represented by Gino Germani, (1967, 1970, 1972); and the DESAL school, 1969, 1970), which focused on the lack of integration of certain social groups into society due to their (deviant) values, perceptions and behavioral patterns. Marginal groups, according to this approach, lack the psychological and psychosocial attributes that were deemed necessary to participate in ‘modern society.’ Emerging in the transition to modern industrial society marginality was thought to be the product of the coexistence of beliefs, values, attitudes and behaviors of a previous, more ‘traditional’ stage.” (1997: 508–12)
- xix. Even Franz Fanon, in *The Wretched of the Earth*, speaks of the “uprooted peasants circling aimlessly around the city” as a natural source of revolutionary activity (1965: 104).
- xx. See *The Myth of Marginality*, chapters 7 and 8, for a fuller discussion of this.
- xxi. In his discussion of “marginal mass,” Auyero states, “This ‘surplus population’ transcended the logic of the Marxist concept of ‘industrial reserve army’ and led authors to coin the term ‘marginal mass’. The ‘marginal mass’ was neither superfluous nor useless; it was ‘marginal’ because it was rejected by the same system that had created it. Thus the ‘marginal mass’ was a ‘permanent structural feature’ never to be absorbed by the ‘hegemonic capitalist sector’ of the economy, not even during its expansionist cyclical phases (1997: 1).”
- xxii. Many of those we interviewed said they had purchased their expensive household items, such as furniture or even cars, during the period just after the Real Plan when their currency was worth more, and that if they had not bought those items at that time, they would never have been able to afford them.
- xxiii. An excellent source for more detail on this is Queiroz Ribeiro and Telles, 2000:80.
- xxiv. Helen Safa (2003:6) confirms this as a trend for Latin America as a whole, “structural adjustment severely limited governmental spending—resulting in the decline of the public sector and privatization of public services on which many of the urban poor depended. It also froze wages and employment; contributing to the expansion of unregulated jobs in the informal sector for the self-employed and subcontractors to the formal sector.” Elizabeth Leeds’ 1966 article “Cocaine and Parallel Politics in the Brazilian Urban Periphery” in *Latin American Research Review*. Vol. 31. No. 3., pp. 47–83 shows in detail

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- how this related to the increasing unemployment in Rio and indirectly to the appeal of drug trafficking.
- xxv. According to Peter Ward (2003:2), a number of countries have undergone changes in state organization since the 1970s that have resulted in “[t]he shift from a largely patrimonialist and undemocratic state towards one that, while more democratic, is also slimmer and downsized, thereby shifting state intervention and the welfare systems ever more to local level governments and to the quasi-private sector of NGOs.”
- xxvi. Sueli Ramos Schiffer (2002: 226) states that “[i]n practice, this means losing some basic guarantees and support: health assistance, thirteenth monthly wage bonus, paid holidays, retirement, and compensation at dismissal; these have been in effect since the 1940s for formal jobs and have always been argued to be necessary benefits to compensate [for] poor wages.”
- xxvii. I refer here to the title of Arturo Escobar’s book, “Encountering Development: The Making and Unmaking of the Third World” (1995).
- xxviii. For example, Bessis contends that poverty is studied by economists and exclusion by sociologists; Paugam asserts that social exclusion is the paradigm allowing our society to become aware of its own dysfunction; Fassin argues that the concept of social exclusion has taken over the two concepts, the underclass and the marginal; Townsend claims that social exclusion has “strengthened approaches to poverty by involving the lack of fundamental resources and the inability to fully participate in one’s own society,” and Jackson distinguishes between “structural and individual exclusion.”
- xxix. In Brazil there are some counter-examples of this ‘discredited state,’ at least at the local level. In a select number of Brazilian cities with several consecutive terms of Labor Party local government (such as Porto Alegre, Belo Horizonte, Belem and Vitoria), we have seen innovations such as “participatory budgeting” where residents of different neighborhoods negotiate capital improvements, service delivery priorities, and the locating of negative externalities in an open process across the city.
- xxx. In particular, the literature on citizenship and social movements (Dagnino 1998; Alvarez 1993) sought to go beyond the older focus upon “formal rights and privileges” (Marshall 1972), to address other issues such as rights. In the 1980s and 1990s, these new literatures further evolved in response to a theoretical and practical need to explain the lack of correspondence between “the form and substance of citizenship” (Holston and Appadurai 1999:5) and the emergence of new forms of citizenship that are created by social movements from the “ground up” (Holston 1999; Castells 1997).
- xxxi. Forero (2004)
- xxxii. See Sen (1999) and other works including those by Dreze, Desai, Chat, Gonzalez de la Rocha, Narayan and Petesch.

- xxxiii. A case in point is Dona Rita (65 years old) from Nova Brasília, who owns two stores there, a truck, a car, a beach house, and her apartment in a high-rise condominium outside the *favela*. When Rita was shopping for new eye-glasses in an upscale store in downtown Rio, she asked the price of a pair she liked, whereupon the salesgirl turned rude and told her she could never afford them. When I asked Rita why this happened, she said it was because she was dressed as someone from the “North Zone.”
- xxxiv. Whereas 70 percent of the original sample had more education than their parents, only 62 percent ended up with better jobs. Likewise, whereas 75 percent of the children of the original sample had more education than their parents, only 66 percent had better jobs.
- xxxv. A structural change occurred in the value of years of schooling as they relate to prestige in the job market. When I lived in Rio in the late 1960s, parents in the *favela* would often tell their children that if they did not stay in school they would end up as garbage collectors. In July of 2003, the city opened a competition for 400 jobs for garbage collectors, and 12,000 people applied. A high school diploma was a pre-requisite for application.
- xxxvi. This section of the paper expands upon what I wrote in Latin American Research Review (2004).
- xxxvii. See Valeria Pero, “Conditional Cash Transfers in Brazil,” forthcoming, 2005.
- xxxviii. This figure was calculated at the exchange rate of 1 dollar = 2.90 *reais*, but this rate has oscillated a great deal during the past years.
- xxxix. This is sometimes problematic as is the distribution of the food vouchers, also done by Evangelical groups in some *favelas*, as we discovered that only people attending church were getting them. Under the government of President Fernando Henrique Cardoso, a number of innovative poverty programs were established. For example, small cash transfers were given to poor families in exchange for each child from 7 to 14 who is kept in school and for parents who insured a set of inoculations and provided proof of regular medical check-ups. The Lula administration consolidated an array of such programs (“*Bolsa Escola*” and others) into the Family Grant Program, and expanded it via the introduction of a type of debit card that provides eligible families with an average monthly benefit of about \$24 (for more detail on this see Dugger 2004).
- xl. To give one small example, a recent cover article from O Globo of March 2005, found hundreds of men receiving payments for being pregnant or nursing.
- xli. Interestingly enough, among all three types of communities (*favelas*, housing projects and legal neighborhoods), the *favelas* still have the highest sense of community unity, across all generations.
- xlii. 33 percent of the original interviewees who left the *favela* for a “neighborhood” achieved relative upward mobility compared to 18 percent of those who stayed in the *favela*.

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- xliii. Cano (2004)
- xliv. See Nelson, Joan (1969). "Migrants, Urban Poverty and Instability in Developing Nations,." Center for International Affairs, Occasional Papers in International Affairs, no.22. Cambridge, Mass: Harvard University.
- xlv. According to the New York Times of January 21, 2004, among 60 countries studied by the UN, Brazil has the highest rate of homicide in the world, with 90 percent by firearms. ("Brazil Adopts Strict Gun Controls to Try to Curb Murders," p. A3). According to recent studies, Rio follows Sao Paulo as the city with the highest murder rate, and rates are much higher in *favelas* than in the population at large.
- xlvi. See Jane Souto (1998)
- xlvii. See Dowdney (2003)
- xlviii. Várias vezes me senti menos homem / Desempregado meu moleque com fome / É muito fácil vir aqui me criticar / A sociedade me criou agora manda me matar / Me condenar e morrer na prisão / Virar notícia de televisão / Já pedi esmola já me humilhei / Fui pisoteado só eu sei que eu passei / Tô ligado não vai justificar / Meu tempo é pequeno não sei o quanto vai durar / É prior do que pedir favor / Arruma um emprego tenho um filho pequeno seu doutor / Fila grande eu e mais trezentos / Depois de muito tempo sem vaga no momento / A mesma história todo dia é foda / Isso que gerou a minha revolta / Me deixou desnorteado mais um maluco armado / Tô ligado bolado quem é o culpado? / Que fabrica a guerra e nunca morre por ela / Distribui a droga que destrói a favela / Fazendo dinheiro com a nossa realidade / Me deixaram entre o crime e a necessidade / Feio e esperto com uma cara de mal / A sociedade me criou mas um marginal / Eu tenho uma nove e uma HK / Com ódio na veia pronto para atirar / Violência da favela começou a descer pro asfalto / Homicídio seqüestro assalto / Quem deveria dar a proteção / Invade a favela de fuzil na mão / Eu sei que o mundo que eu vivo é errado / Mas quando eu precisei ninguém tava do meu lado / Errado por errado quem nunca errou? / Aquele que pede voto também já matou / Vida do crime é suicídio lento / Na cadeia Bangú 1 2 3 meus amigos tenho lá dentro / Eu tô ligado qual é sei qual é o final Um soldado negativo menos um marginal / Pra sociedade uma baixa na lista / E engordar uma triste estatís

Transnational Migration and the Shifting Boundaries of Profit and Poverty in Central America

PATRICIA LANDOLT

INTRODUCTION

Labor migration has been a defining element of life in Central America since the mid-19th century. Whether through debt peonage or wage work, the labor arrangements of the Central American plantation system were built around the seasonal movement of migrant labor to production sites (Paige 1997). During the economic and political crises of the 1980s, international refugee and labor migration functioned as an escape valve for a volatile region in decline. The Central American population in the United States grew from 100,000 in 1970 to an estimated three million in the year 2000. Contemporary labor migration exhibits new features. For today's migrants, a context of social exclusion and limited economic opportunities in the United States dovetails with new possibilities for sustaining meaningful relationships with people and institutions in places of origin. Time-space compressing technologies make it easier for Central American migrants to stay in touch with family and friends, travel home, or wire back money on a regular basis. Indeed, migrant remittances, estimated at \$4 billion for the region in 2000, have become the key both to family survival and regional macro-economic stability.

In Central America, the migration process captures many of the political and economic contradictions of the region. Whether through the exploitation of labor or the circulation of worker remittances, migration guarantees profits for capital. It also embodies the displacement of the region's workers, and is the key to their survival in a context of poverty. In light of these considerations, the purpose of this chapter is to explore the place of migration in the current social and

economic order of Central America, focusing in particular on the challenges transnational migration poses both to the established relationship between capital, the state, and migrant labor, and to the traditional survival strategies of the region's poor. The chapter draws on a rich and growing body of empirical research on Guatemala, Nicaragua, El Salvador, and Honduras.

The chapter is premised on the idea that transnational migration generates a vast circuit of border-crossing material and symbolic exchanges that convert migrants into more than simply aspiring newcomers in the host society or mere expatriates of a distant homeland. Migrants sustain multi-stranded social, economic, and political relations that link together their societies of origin and settlement, and through which they create transnational social fields that cross national boundaries (Basch et al. 1994). The first part of the chapter focuses on structural trends and considers the ways in which transnational migration has altered the economic and political landscape of Central America. It suggests that transnational migration leads to the emergence of new types of border-crossing economic actors and institutional arrangements, and produces venue shifts in state-migrant relations.

The second section departs from the idea that work routines and family life necessarily change as households and communities are embedded within transnational social fields. The ability to sustain meaningful social relations and commitments transnationally redefines the workers' relationship to local labor markets, and their evaluation of what we might refer to as acceptable degrees of exploitation. Transnational migration also alters the migrant family's understanding of absence, membership, and participation, as well as a family's norms of reciprocity and the form and function of their social networks. The discussion identifies some of the consequences of these changes for the survival strategies of Central American migrant workers, their families, and communities.

THE CHANGING RELATIONSHIP OF MIGRANT LABOR, CAPITAL, AND THE STATE

Labor migration has been a linchpin of the Central American political economic order since the 19th century when the countries of the region were drawn into the international capitalist system as agro-export producers. Beginning in the 1880s, the abolishment of commu-

nal land ownership, the expropriation of arable lands from indigenous peasant producers, and the application of vagrancy laws all served to displace labor from traditional subsistence activities and facilitated their incorporation into the plantation system (Bethel 1991; Ramos 2001). Over the years, seasonal labor migration kept pace with the expanding agro-export production system and remained central to profit making (Paige 1997; Browning 1971). Between 1945 and 1964 the number of seasonal migrants working in Guatemala grew from 120,000 to 580,000 a year. In 1961, Nicaragua had an estimated 120,000 seasonal workers; by the early 70s the number had reached 200,000 (Vilas 1995).

After World War II, regional economic recovery was launched on a hybrid model of growth tied to the intensification of agro-export production and the promotion of import substitution industrialization in the cities. Labor migration patterns shifted accordingly. In particular, rural to urban migration increased as the promise of regular wages in industry drew the landless towards the city. In 1950, 30 percent of the population of Honduras, Guatemala, El Salvador, and Nicaragua lived in urban areas. By 1980, this figure had reached 43 percent. Yet, the slow pace of industrial growth was unable to incorporate the growing mass of displaced rural workers into stable urban jobs. The new arrivals joined the ranks of urban squatters, carved out a living in the informal sector, and continued to migrate to the plantations during harvest times (Vilas 1995).

In spite of the hegemonic presence of the United States in the region, migration to North America remained surprisingly limited throughout this period. In the early 1900s, there was a trickle of international migration and permanent settlement abroad by urban elites associated with the agro-export economy. For instance, members of El Salvador's coffee elite settled in San Francisco, and a similar enclave of Honduran business families tied to the banana plantation economy settled in New Orleans. During World War II, U.S. labor recruiters imported Central American workers from El Salvador and the Atlantic Coast in order to fill the industrial labor shortages produced by the war effort. In the 1960s, Central American women were also informally recruited to work as domestics (Repak 1995; Andrade-Eekhoff and Silva-Avalos 2003). In spite of their narrow scope, these three migration networks served as important beachheads, framing the direction and character of later migration flows (Hamilton and Chinchilla 1996).

In the 1980s the political terror that engulfed the region ruptured established migration patterns. A mass exodus of political and economic refugees flooded out of Central America and into Mexico, the United States, and Canada. Mirroring this flight from violence, the Central American population in the United States grew exponentially. Tables 1 and 2 below provide an overview of this trend. Estimates show growth in the migrant population both during and after the political and economic crises of the 1980s, suggesting that Central American migration flows to North America will continue largely unabated (Mahler 2000). By 2000, an estimated 17 percent of the population of El Salvador and approximately seven percent of the population of Nicaragua, Guatemala, and Honduras lived abroad. In the United States, Central Americans are concentrated in Los Angeles, the Southwestern states, and the Eastern seaboard, particularly the New York City area.

The consistently transnational character of Central American migration and settlement patterns is notable. Migrants retain strong ties with family members in places of origin, participating in the daily routines of non-migrant kin. Beyond their commitments to friends and kin, Central Americans are mobilizing scarce resources to establish enterprises that straddle national borders (Landolt 2001; Portes et al. 2002). In places of settlement, migrant desires for a symbolic return home has prompted demand for home country products such as food, liquors, clothing, music,

Table 1. Foreign-Born Central American Population Living in the United States, by Census Year

	1970	1980	1990
Belize	8,860	14,436	29,957
Costa Rica	16,691	29,639	43,530
El Salvador	15,717	94,447	465,433
Guatemala	17,356	63,073	225,739
Honduras	19,118	39,154	108,923
Nicaragua	16,125	44,166	168,659
Panama	20,046	60,740	85,737
Total	103,913	345,655	1,127,978

Source: U.S. Census 1999

and newspapers. It has also spawned demand for cultural and sporting events such as football games, music concerts, and national independence festivals and celebrations. Central Americans have also formed grassroots institutions such as immigrant rights groups and hometown associations (HTAs) that organize to address their problems as newcomers in North America, as well as their concerns for improving places of origin (Popkin 1997; Landolt et al. 1999; Hamilton and Chinchilla 2001). The government of El Salvador calculates that there are now 250 Salvadoran hometown associations in the United States. Sixty Guatemalan and five Honduran HTAs have been identified in the Los Angeles area (Andrade-Eekhoff and Silva-Avalos 2003). Central Americans are even parleying home and host country politics into novel transnational platforms of concern (Itzigsohn 2001; Landolt 2003; Popkin 2003; Zapata 2003).

Migration has always been a network dependent and network creating social process in which migrants draw on social capital to garner support to travel, find work and housing, and settle into a new location (Massey et al. 1987). Several features distinguish contemporary Central American migration. Today's migrants tend to sustain border-crossing social networks throughout their lives as sojourners and expatriates. Transnational social networks guide the early years of the immigrant experience, and become increasingly stable and complex over time. There is a great deal of variation in the scope and depth of individuals' transnational engagements, so that for the vast majority of Central Americans, transnational practices are largely limited to familial concerns such as sending remittances. Nonetheless, the experience of *being transnational*, of negotiating multiple sets of relationships and concerns across locations simultaneously, has become the norm—a mundane juggling act. It is the simultaneity of this spatially fragmented experience that is significant and potentially transformational (Levitt and Glick-Schiller 2003).

In Central America, the economic activities most commonly associated with transnational migration—money transfers or remittances, telephone calls, and air travel—generate massive wealth and resource flows (Orozco 2002). Table 3 confirms the importance of remittances for the region's national economies. Remittances have surpassed foreign direct investment as a source of hard currency, and may soon rival exports as a source of national revenue. Transnational migration has also had a transformational effect on a range of economic institutions, prompting the

Table 2. Estimates of the Hispanic Population in the United States, 1990 and 2000

	MUMFORD ESTIMATES			CENSUS HISPANIC QUESTION		
	1990	2000	Growth	1990	2000	Growth
Central American	1,387,331	2,863,063	106%	1,323,830	1,686,937	27%
Costa Rican		115,672			68,588	
Guatemalan	279,360	627,329	125%	268,779	372,487	39%
Honduran	142,481	362,171	154%	131,066	217,569	66%
Nicaraguan	212,481	294,334	39%	202,658	177,684	-12%
Panamanian	100,841	164,371	63%	92,013	91,723	0%
Salvadoran	583,397	1,117,959	92%	565,081	655,165	16%
Other Central American	68,772	181,228		64,233	103,721	

Source: Lewis Mumford Center for Comparative Urban and Regional Research, 2001

emergence of new commercial ventures and investment opportunities, changes in corporate marketing strategies, and the appearance of new economic actors. Transnational migration is effectively redrawing the economic landscape of Central American and with it the structural landscape that defines social relations between migrants, capital, and the state.

Circuit enterprises are perhaps the most novel form of entrepreneurship to have emerged with transnational migration. This includes formal and informal firms that shuttle goods and services between immigrant settlements and places of origin literally on a daily basis. Circuit enterprises began to appear in the early eighties when war made travel and regular communications with Central America next to impossible. Instead, informal couriers or *encomenderos* shuttled between immigrant settlements and places of origin delivering letters, cash, small gifts, and even homemade foods like *dulces* and *tamales* frozen for the trip. Quickly the *encomenderos'* share of this lucrative and growing market was undercut by a burgeoning industry of independent, Central American owned courier agencies such as *Gigante*, *Cuscatleco*, and King Express and later by banks and multinational money wiring services such as Western Union and MoneyGram. In the 1990s, Central American lawyers, notary publics, and real estate agents joined the *encomenderos* on the flights to and from Los Angeles, Houston, San Francisco, and New York. This new set of services allowed migrants not only to participate in family matters, but to also have a legal presence in their country of origin. Circuit enterprises thus not only fulfilled transnational migrant consumer needs, but also facilitated the generation of new types of consumer demands.

New forms of entrepreneurship also appeared in migrants' places of origin and in immigrant settlements. A growing number of ethnic entrepreneurs based in immigrant settlements started to build transnational webs of business contacts that expanded and diversified their access to information and material inputs. Mom and pop stores, for instance, were able to stock their grocery store shelves with home country products garnered through a variety of channels including *encomenderos*, export-import agencies, and increasingly even the Internet. In the 1990s, immigrants also began to return to their countries to start new enterprises or provided non-migrant family members with funds to start a business at home. Return migrant entrepreneurs also draw on transnational social networks of personal contacts to identify potential clients, gather infor-

Table 3. Remittances Compared to Various Economic Indicators

Selected Indicators	El Salvador	Guatemala	Honduras	Nicaragua
Remittances (1999)	\$1.5 billion	\$535 million	\$368 million	\$345 million
Remittances as a percentage of ...				
Foreign Direct Investment	684%	364%	160%	115%
All exports	63.2%	19.3%	21%	63%
GNP	12.6%	3.0%	6.8%	14.4%

Source: World Bank Development Report Statistics, 1999

mation, and access cheaper inputs. The ability to cultivate and maintain a social network of trusted contacts that facilitates access to information and business inputs across multiple locations is the key to transnational migrant entrepreneurship (Portes 1997).

Transnational migration has also prompted a reorganization of existing corporate and mid-scale enterprises. In particular, many of the region's manufacturing and service sector industries have revamped their investment and marketing strategies to tap into the mighty power of migrant consumption. Mid-scale enterprises are opening franchises in immigrant communities, and corporations are setting up export promotion offices in immigrant settlements, sponsoring community events, and in some cases opening up production sites abroad. Immigrant settlements have now come into view as profitable new arenas for the expansion of the consumer base for Central American corporations. The notion of the national consumer market has clearly been transformed. In corporate circles, there is also hopeful speculation that the immigrant consumer base may serve as a stepping stone for Central American capital's entry into the broader U.S. consumer market (Guarnizo 2001).

To summarize, the transnational patterns of movement and settlement of Central American immigrants has produced new economic activities, novel business strategies, the emergence of new economic actors, and an overall institutional and spatial reorganization of Central America's commercial landscape. The business landscape now includes informal micro- and mid-scale entrepreneurs, well-established Central American manufacturing industries and service providers, as well as market-seeking multinational corporations such as Western Union. It also includes the region's traditional business and professional organizations, as well as a growing number of well organized immigrant business associations.

In line with the changes taking place in the business landscape, transnational migration has also produced a redefinition of state-migrant relations. Traditionally, Central American state regulation of migratory movements and migrant labor was quite straightforward. The state was charged with maintaining a legal framework that guaranteed a steady labor flow for the plantation system, and with providing citizens with travel documents. There were few overlaps between the management of population movements and the regulation of labor, and regional coordination of migration flows was largely absent from the political agenda. In

the 1990s, state-migrant relations changed dramatically in tune with the growing importance of the migrant as remitter and potential investor. Central American states have expanded their mandate for regulating population movements, and have dedicated considerable resources to establishing a more dynamic relationship with their migrant nationals.

First, in 1996 Central American states began to participate in the Regional Conference on Migration (RCM), which promotes the continental harmonization of national policies on the mobility and rights of migrant workers. The Regional Conference on Migration brings together the governments of Central America, Canada, and the United States for the purpose of formulating synchronized policy agreements. In 1997 the RCM developed a Plan of Action that identified five areas of concern including: 1) the coordinated formulation of migration policies (both emigration and immigration) that would respond to the commitments of the Conference; 2) migration and development; 3) combating migrant trafficking; 4) collaboration for the return of extra-regional migrants (i.e. deportees); and, 5) human rights (Regional Conference on Migration).

The RCM has held a score of thematic conferences that are quite telling of member states' key concerns. A report from the RCM Conference on Migration and Development suggests:

Viewing the situation realistically what is proposed...is that the governments of the region, rather than preparing for a slackening off of migration, should be planning ways of imposing some order on future flows and adapting them to national and regional development needs (RCM quoted in Pellerin 1999).

Discussions also focused on the relationship between return migration and new investment opportunities generated by migrants. Complementing the concern with labor market coordination policies, a second RCM conference on human trafficking emphasized not the root causes of migration, but rather the criminalization of uncontrolled movement. The meeting on migrant rights avoided the issue of migrant labor rights, preferring to emphasize migrant family access to social services, health, and education in places of settlement.

Second, Central American states have also worked to enhance their governments' presence in immigrant settlements. Immediately following the negotiated end to armed conflicts, consulates were used as a staging ground for bridging the social distance and distrust bred by years of polit-

ical violence. In an effort to close the gap between governments and migrant nationals, consular officials made contacts in immigrant communities, started to attend and even sponsored community events, and began to offer direct services to migrant nationals (Landolt et al. 1999). Clearly, initiatives to stabilize a long-term connection with migrants vary in their scope and institutional stability. While Costa Rican and Honduran government efforts have focused almost exclusively on the provision of expanded consular services, Guatemala and El Salvador have designed much more ambitious outreach programs.

Migrants' legal status in the United States is one issue that has generated a great deal of state interest. In the early 1990s, consulates began to offer legal assistance to undocumented nationals seeking to regularize their status in the United States. The Salvadoran government went so far as to help migrants make asylum claims, thus encouraging their citizens to accuse them of having violated their human rights. More recently, joint lobbying by Central American state officials and grassroots immigrant organizations was the key to the successful passage of NACARA, the Nicaraguan Adjustment and Central American Relief Act, which enabled Guatemalans and Salvadorans who had arrived prior to 1990 to apply for permanent residency. In 2002, following on the heels of this political victory, Salvadoran and Guatemalan member organizations of the Central American Immigration Task Force met with high level government officials of El Salvador, Guatemala, Nicaragua, and Honduras. The delegation proposed that the region's governments coordinate with immigrant organizations to define a long-term, joint lobbying agenda for Central Americans in the United States (Popkin 2003).

In the case of Guatemala and El Salvador, state outreach has been much more ambitious and comprehensive. In the late 1990s Guatemala's PAN administration (1996–1999) launched *Chapines Sin Fronteras* (Guatemalans Without Borders), which brought together migrant organizations, Guatemalan private sector organizations, and several government ministries in a program designed to promote migrant investment in the non-traditional export sector. First, the Ministry of Agriculture and the Association of Exporters of Non Traditional Products (AGEXPRONT) identified viable agricultural development projects in Guatemala. Migrant organizations in the United States were encouraged to invest in these projects through the Rural Bank of Guatemala (BANRURAL). BANRURAL

established accounts at the Bank of America, at 7.5% interest, for this purpose. Migrant investment funds were then loaned out at ten percent interest to local producers in target communities in Guatemala. Products were to be marketed in immigrant settlements through small companies owned and run by Guatemalan immigrants. Migrants were encouraged to start small enterprises by selling “company stocks” to friends and family. Guatemala’s Ministry of Agriculture would label and ship the exports, and the Ministry of Economics would take care of promotion and marketing. To date, groups of Guatemalan entrepreneurs in New York City and Los Angeles have agreed to participate in the project. Yet, with the defeat of the PAN in 1999, administration of the program was passed to a non-profit organization, which has slowed progress on the project (Popkin 2003).

In the case of El Salvador, the state’s extra-territorial engagement with the refugee-migrant population has become increasingly comprehensive. In 2000, after a decade of impromptu projects that, in the words of the consul in Los Angeles, sought to “maintain Salvadoran migrants’ umbilical chord connected to El Salvador” (1996), Foreign Affairs launched the *Dirección General de Atención a la Comunidad en el Exterior* (General Secretariat of Attention to the Community Abroad, DGACE). Modeled on a similar Mexican government initiative, DGACE’s stated mission is to coordinate, facilitate, promote, and support initiatives that incorporate migrants as development partners (Ministry of Foreign Relations). DGACE carries out activities through the government’s consular offices and embassy, and coordinates projects with the National Council for Culture and the Arts (CONCULTURA), the National Institute of Sports (INDES), and the Social Investment Fund for Local Development (FISDL). The most ambitious project promoted through the DGACE and coordinated by the FISDL is the “United in Solidarity” program, which essentially seeks to leverage remittances by offering migrant organizations matching funds for financing development projects in their places of origin. Matching funds for FISDL “United in Solidarity Program” are provided through a loan from the Inter-American Development Bank.

In effect, two significant venue shifts have taken place in state-migrant relations. First, the Regional Conference on Migration (RCM) shifts the policy arena for the regulation of population flows from the central government and national territory to a continental arena dominated by the strongest member country of the RCM, the United States. The installa-

tion of the RCM effectively removes migration policy from the realm of public politics into a continental arena dominated by the United States and mediated by committees of state bureaucrats. Second, the growing importance of the migrant as a consumer, remitter, and investor is associated with an extra-territorialization of state policy. Consulates and embassies are promoted as a meeting place for an eclectic mix of political and economic actors that includes the region's traditional business groups, grassroots immigrant organizations, and emergent migrant business groups. Investor and matching funds programs designed in consultation with international development agencies and coordinated through a cross-section of ministries create an additional venue for migrants' transnational participation in countries of origin. Ironically, and in contrast to the RCM process, this second shift appears to create new spaces for transnational citizen participation in the affairs of state.

THE TRANSNATIONAL LIVES OF MIGRANT WORKERS AND THEIR FAMILIES

Having identified structural and institutional shifts associated with transnational migration, the discussion in this section considers the ways in which the lives of migrant workers and their families have been transformed by this changing context. Poverty, marked by landlessness, seasonal underemployment, joblessness, and low wages, has consistently crippled the life chances of the region's economically active population and has contoured the material and normative geography of Central American working families. Historically, the collective struggle for survival has involved a variety of arrangements including seasonal migration to agricultural harvests, international labor migration, temporary and permanent migration to the city, land takeovers and squatting in urban areas, and participation in the informal economy. Three decades of political violence and economic dislocation have necessarily affected familial strategies for finding work, making ends meet, educating children, and caring for the elderly. Research shows that current strategies for survival and mobility exhibit continuities and breaks with traditional arrangements. Transnational migration has prompted significant changes in established arrangements, transforming not only the institutional context that frames family migration patterns, but also the normative order that rules over this complex social process.

Perhaps the most striking continuity remains the importance of migration for the working family. In a context of poverty and economic uncertainty, livelihood essentially depends on a family's ability to diversify its sources of income (Rocha 2001). Migration is central to this strategy because it allows a family to locate the economically active members of the domestic unit in geographically and temporally distinct labor markets. In the current context and in spite of the considerable risks involved, international labor migration remains a viable economic option because it places the migrating members of the domestic unit outside of unstable national labor markets. In Los Angeles, New York, or Boston, long hours of backbreaking work by young and healthy migrants pays off for the family unit if for no other reason than the fact that wages are earned in dollars. Migrant remittances do not ensure livelihood, they simply alleviate poverty by providing a crucial supplement to the family's other sources of income (Itzigsohn 1995; Funkhauser 1992). It is the ability to combine multiple grossly inadequate incomes—procured through work in different labor markets—that enables Central American families to survive. Remittances help sustain the family budget, paying for health care costs, school fees, debt payments, and daily household needs. Yet, the commitment to send money home imposes great burdens on migrant workers who must work long hours, live in overcrowded housing, and sacrifice their own well being for the sake of distant kin.

I present four short ethnographies of Central American migrant workers to provide a glimpse into the relationship between the global economy, migration, and the emergence of transnational survival strategies among the region's working families. Decisions about which household member will migrate, and when, are determined by multiple factors including the broader structural order that creates different types of gendered and aged labor market demands, the life course of the household, and the social codes of the community. In this decision making process, tensions and disagreements crop up as families establish priorities, and negotiate the management and allocation of household resources. Gender and generational differences are particularly salient dividing lines of conflict (Pessar and Mahler 2001).

The first sketch comes from Guatemala's sugar industry and speaks to the transformations taking place in the region's agro-export industries. In spite of the region-wide collapse of agro-export industries, a few agrari-

an sectors continue to expand. In Guatemala, for instance, sugar production has tripled over the last two decades in part due to the use of new types of labor discipline. In a sector famous for using extreme violence to quell worker unrest, production schedules now combine new technologies with wage incentives, human capital investments, and a reorganization of the labor process. Plantations are refashioning workers' identities to increase productivity and guarantee a stable labor force by forging a "vanguard" of cane cutters: healthy young men between the ages of 18 and 25, housed in company buildings with amenities, provided live entertainment, given nutritious meals, and pushed to compete with each other to reach productivity goals (Oglesby 2001; 2002).

Oglesby (2001) tells the story of two vanguard cane cutters: young men from the highlands who labor on the coastal sugar plantations.

Last year, at 24, Sebastian Tol was a "champion" cane cutter on the agro-export plantations of Guatemala's Pacific coast, averaging over ten tons a day. At the end of the harvest season, however, he returned home to the highlands with shoulder pain that made it difficult to do even routine chores. This year, his 18-year-old brother, Santiago, who also has hopes of becoming a champion, took his place on the plantation work crew. A month before the start of the harvest, Santiago began buying weekly vitamin injections for half a day's wage each, which he believes will increase his endurance in the cane fields. Sebastian Tol told me that he wasn't thinking of cutting sugar cane anymore. But he had heard from other workers from the coast that in Alabama there were many jobs "cutting chickens," and that if his shoulder would just heal he was going to try his luck in *el norte* (Oglesby 2001:17).

The second sketch comes from El Salvador and tells the story of a young man who migrated and then returned to his hometown to start a transnational enterprise. Like thousands of other young men from the rural *pueblos* of El Salvador, Juan Carlos was forced to flee his village in 1980, at the height of the military conflict, in order to avoid forced army recruitment. Juan Carlos entered the United States undocumented and made his way to Los Angeles, where his brother helped him find work, and encouraged him to complete his high school diploma. Returning to his hometown in 1990, Juan Carlos bought the rights to an inter-urban bus line that ran from his village in Chalatenango to San Salvador. He made a quick trip back to Los Angeles to procure a used bus, which he

drove through Mexico, back to El Salvador. Juan Carlos now owns several bus routes and continues to travel to the United States every six months to buy spare parts and additional used vehicles. His business trips now take him to Los Angeles and Boston. In 1999 Juan Carlos decided to run for mayor in the 2000 municipal elections. Again he traveled to the United States, drummed up financial support for his campaign from migrant friends, and won the elections. His first act as head of the municipal council was to send a letter to the migrant *paisanos* in Los Angeles and Boston to request their financial assistance for local infrastructure projects.

The third and fourth sketches are composites that seek to capture the working lives of two groups that have been relatively neglected in the literature, this includes woman migrants and elderly or retired workers. In the case of women, the literature increasingly traces young women's movement from rural villages and marginal urban neighborhoods to export processing zones, where they will typically work from the age of 15 to 25. The experience of wage work and modern consumption in export processing zones is argued to create a population that is socially and economically uprooted and prone to migrate (Nash and Fernandez-Kelly 1983; Sassen-Koob 1988). Little research has been conducted to corroborate whether young women actually make an international move after they stop working within the export assembly sector. The Central American women who have migrated to the United States are concentrated in precarious work. They are most often employed as industrial and private caregivers and domestics, and in labor intensive assembly work organized through sweatshops and homework arrangements (Repak 1995; López et al. 1996).

Finally, there is surprisingly little discussion in the literature about what happens to older migrant workers as they are either pushed out or begin to exit the labor market. In Central America "retirement" has traditionally involved reduced participation in formal employment, but continued engagement in the informal sector, as well as ongoing and significant unpaid contributions to the domestic unit. Old age is also associated with the end of the worker's migration cycle and a return home. It is this normative pattern that fuels the dreams of return of migrant workers who buy beach houses along the Central American coast, and renovate, expand, and furnish homes in their places of origin. Today decisions about the ideal retirement location are also changing. Older household

members now often split their time between places of origin and immigrant settlements to maintain their legal status and social benefits in the United States. Concerns about the palpable rise in petty crime and gratuitously violent delinquency also encourage the elderly to retire in the United States and return only occasionally to Central America.

Taken together the sketches of Central American workers suggest at least three novel trends. First, migration remains a central feature of household income diversification, but the actual patterns of movement, that is of who migrates, where, and when, have changed. While there has been a general shift away from regional toward international migration, the former continues to play a complementary role in social reproduction of the household. It is the timing and duration of regional migration patterns that have changed. The lifelong cycle of seasonal migration to plantations during harvests has been replaced with shorter cycles of migration by young men and women to regional production sites, such as EPZs and modernized plantations, inserted in the global economy. After their first work experience, the migrant is poised for international migration to the next global worksite—a poultry farm in Alabama, stoop agriculture work in California, or janitorial work in a Los Angeles corporate office. Finally, retirement is no longer associated with return and a sedentary life, but may also involve ongoing movements.

Second, migrant work experiences at different worksites suggest a homogenization of the labor process across the globalized North American economy. There is an eerie coherence in the mechanisms of disciplining imposed on migrant workers across different worksites: large groups of workers in a single site conducting repetitive and often dangerous work on a piece rate. The regimented work culture learned in Guatemala's modern sugar cane plantations or El Salvador's *maquiladora* assembly plants prepares the young migrant worker for the labor discipline desired by employers in the global city. The continental homogenization of the labor process thus involves a dual movement in the formation of labor markets. In the United States and Canada globalization is associated with the deskilling and informalization of labor markets (Sassen 1991; Cross and Moore 2002). Yet, in Central America globalization actually suggests a skilling of the young workforce, understood simply as the imposition of a regimented work discipline and the application of new technologies to the labor process.

Third, the spatial arrangements of the domestic unit have become more heterogeneous. The labor market demands of the global economy, in particular the feminization and “youthification” of the labor force alter the way households organize resource diversification strategies. What member of the domestic unit migrates and when is an increasingly indeterminate process. Labor migration may involve movement to several worksites over the life course of the worker; migration to a regional worksite followed by either a return home combined with periodic international or regional migrations, or resulting in permanent international migration and settlement in the host country. In turn, it is not only the economically active members of the family that migrate; children may be shuffled back and forth between places of origin and immigrant settlements to complement adult work schedules. The elderly may also move back and forth on a periodic basis. This constant circulation of household members across locations suggests that Central American households are becoming increasingly decentered and dispersed.

The decentering of migrant households alters the normative order of expectations that have traditionally undergirded patterns of domestic resource exchange. In the previous context of seasonal migration to agro-export plantations, adult members of the family were released from the domestic unit on a temporary basis so they could migrate to wage work. They were subsequently reabsorbed into the home during agricultural down times. The viability of the arrangement obviously rested on the expectation that migrants would save their income from wage work and contribute it to the household economy upon their return. Transnational migration carves out new social roles and spatial trajectories for children and the elderly, as well as for working women and youth. As a result, the ability to return home regularly, indeed the very definition of “home” and “away” begin to erode. Thus, the commitment to contribute earnings and “do right” by one’s family remains. Yet, the material context in which such arrangements are realized is fundamentally transformed. Workers undoubtedly “learn to labor” at home with their family and in their community before they actually enter the labor market. The basic tone of work routines, wages, relations with co-workers and bosses, etc. are familiar territory to most people long before they enter the routines of wage work (Willis 1977).

In communities with high rates of out migration, the link between work and movement is accepted and becomes associated with a range of normative patterns including economic obligations to the domestic unit, certain rites of passage, dreams of mobility and adventure, etc. (Hagan 1994; Mahler 1995; Matthei and Smith 1998; Popkin 1999). It is the unprecedented density of exchanges and contact between places of origin and settlement, specifically the emergence of transnational social fields characteristic of transnational migration, which produces significant changes in the normative order of Central American families. Transformations are taking place not necessarily because everyone is migrating, but rather because places of origin are being drawn into a transnational social order that brings together distant locations. Thus, it is not only the “movers” but also the “stayers” within a transnational family or community whose lives become contoured by the social, economic, and political experiences of a distant location. In this case, households and communities in places of origin acquire new knowledge and adopt new frames of reference for evaluating local notions of work, gender roles, lifestyles, etc. Finally, the question of whether transnational domestic units are inherently unstable, given the reduced face-to-face contact between members, requires further research and analysis. What is clear is that our thinking on the domestic unit as a site for managing the vagaries of poverty in migrant sending nations needs to recognize the important changes imposed by transnationalism.

CONCLUSION

The structural transformations that have taken place in Central America and the ways in which they have impacted relations between migrant labor, capital, and the state mirror trends common to a growing number of migrant-sending nations of the third world. Small periphery nations in the Caribbean Basin, Southeast Asia, and the Andean region have abandoned the project of national economic development and opted for a new mode of insertion in the global economy. The new model stands on two pillars including: first, the promotion of export oriented production systems such as *maquiladora* industry, agro-export agriculture, and tourism; and, secondly, the export of migrant labor and importation of worker remittances (Portes et al. 1997; Rodriguez 2002). It is not surprising then that the practices of transnational migrants are tied directly to the most

dynamic sectors of the Central American economy—banking and telecommunications. Migrant remittances have not only eclipsed foreign direct investment and export earnings as a crucial source of hard currency; they are increasingly touted as a potential hard currency receivable to be used as a tradable security for accessing foreign loans (Ketkar and Ratha 2001). It is worth considering some of the long-term implications of this new structural arrangement. First, it is increasingly clear that in Central America the generation of local sources of stable employment, let alone a decent wage, is structurally irrelevant to capital accumulation. Finance capital profits from remittances and commerce can continue to realize a profit simply by shifting its marketing arena to immigrant settlements. Second, in spite of the moralistic concern often heard in government circles that migrant families must use remittances wisely; the rapid circulation of remittance dollars is clearly good for business. It is precisely through the promotion of consumption, including speed-ups in consumption and the creation of new consumer niches, that migrants release remittances into the economy. Thus, what started as a windfall for unstable national economies has become a central pillar of economic growth, with disarmingly troubling long-term implications.

Furthermore, as we have seen in this essay, a range of often more uncertain and problematic institutional transformations has occurred within this deceptively simple and apparently coherent structural shift. Analysis has identified at least three changes in the business landscape of Central America including the appearance of new consumer demands associated with transnational migration, the emergence of new economic actors embedded in transnational business networks, the expansion of the national consumer market to include immigrant settlements, and the parallel adjustment of corporate marketing strategies. Discussion also shed light on two important changes in state-migrant relations. Through participation in the Regional Conference on Migration, Central American states are contributing to the continental harmonization of immigration policies. A primary concern of this process has been the establishment of a legal framework that will facilitate the controlled movement of migrant workers. The governments of the region have also initiated a series of extra-territorial initiatives that seek to incorporate immigrant settlements and migrant organizations into the affairs of state.

The social institutions that mediate and organize the lives of migrant families have also been transformed by transnational migration. Together, the labor market demands of the global economy and the increasingly unstable local context have transformed the migration trajectories and social roles of all members of the domestic unit. Family units are losing their spatial fixity and becoming increasingly decentered and dispersed. Along with this reorganization of migration patterns and social roles, as families and communities become embedded in transnational social fields of action, normative expectations and arrangements are altered. For instance, definitions of the life course, definitions of childhood, adulthood, and retirement for instance, are renewed; and expectations of work, leisure, and social mobility change.

Finally, a focus on institutions and social relationships allows us to consider some of the unintended consequences of the current order. The economic activities of transnational migrants hold new possibilities for altering the balance of power between capital, labor, and the state. The rise of the migrant as entrepreneur, investor, and remitter places Central America's traditional business interests in the uncomfortable position of engaging with historically marginal social actors. The current economic arrangement, because it depends so dramatically on the earnings of the migrant worker, exposes the logic of capital and the power of the migrant worker in novel and increasingly vivid ways. Secondly, the economic weight of migrant workers and the increasingly organized and vocal character of Central American immigrant communities forces home country governments to create spaces for the transnational political participation of its migrant nationals. In a region with a history of authoritarian politics, this institutional shift is remarkable. Finally, the labor market demands of the global economy also alter the social locations of women and youth, and necessarily challenges established gender and age roles within the family. Identification of these unintended consequences is not meant to suggest a radical overturning of established hierarchies of power. The possibilities for continued exploitation and subordination, and the dangers and risks to which migrant working families continue to be exposed are undeniable. This discussion simply highlights the value of studying meso-level institutional processes. It will also help us identify some of the contradictions of this apparently coherent new global order, and consequently some of the sites from which a political response might emerge.

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The New Urban Poverty in Argentina and Latin America

GABRIEL KESSLER AND MERCEDES DI VIRGILIO

INTRODUCTION

Upon reading the latest official data indicating that over 50 percent of the Argentine population lives in poverty, it is impossible not to ask what happened to a society whose salaries, social rights, and levels of social integration were unsurpassed in the region just a few decades ago. Argentine society was one in which, to paraphrase Juan Carlos Torre, “a passion for equality” played a central role in social and political dynamics. Clearly what we are witnessing today is not an unanticipated turn of events, but rather the denouement of a social, political, and economic process that gradually has dismantled a particular model of society. The dramatic events of the past two decades have disrupted Argentine society, forcing it to face situations of unprecedented severity and triggering mutations that continue to come to light. Certain events have been inscribed in the collective memory as milestones marking a before and after, becoming part of the history and the tragedy of a society: the disappeared and state violence (1976–1983) is perhaps the most significant of these, but also the 1982 Malvinas War, the runaway inflation of 1989, the social repercussions of the vigorous neoliberal reform implemented by the Menem administration beginning in 1991, and just over a year ago, the collapse of the economic model of the preceding ten years.

In recent decades, increasing impoverishment has been the daily experience of much of the vast Argentine middle class. The pauperization of Argentine society has been an extremely intense process. Suffice it to say that from 1980 to 1990, the value of workers’ wages in general declined by approximately 40 percent and, after a certain recovery due to the 1991 stabilization, declined an additional 20 percent between 1998 and 2001; from 2001 to the present the losses have been even greater.

Due to the intensity and longevity of the crisis that began in the mid-1970s, hundreds of thousands of middle class families, as well as historically poor families that had managed to escape poverty (the “ex-structural poor”) saw their incomes drop below the poverty line. In greater Buenos Aires, with a population of eight million, poverty rose by 67 percent; within this group, a prominent subset of former members of the middle classes who became impoverished—the new poor—grew by 338 percent. To this must be added all those who, while not considered poor in the official statistics, experienced significant declines in income that obliged them to change their lifestyles completely.

The pauperization of the middle classes has consequences not only for those who have experienced it firsthand, but also for Argentine society as a whole. It marked a point of no return, the demise of a certain type of society. Up until that time, Argentina had been a relatively integrated society—at least compared to most Latin American countries—whose large middle class had emerged as a result of an upward social mobility¹ the continuity of which was never questioned. Poverty studies show that the pauperization of the middle classes is marked by the increasing heterogeneity of a population heretofore considered very homogeneous. Moreover, it posed and continues to pose new challenges for social policy in that the needs, geographical location, and cultural parameters of this population are unlike those of the traditional poor.

Beyond its borders, Argentina’s situation is paradigmatic for the region: the issue of middle class impoverishment can contribute to a reflection on what is happening, and what might happen to these same sectors in other countries. In effect, the concentration of wealth in Latin America in the 1990s has occurred in part to the detriment of middle-income groups (Hoffman and Centeno 2003). And while clearly the shape impoverishment takes in each national context is contingent upon a range of internal factors, in one way or another, the middle classes in different countries have suffered a pauperization process that has largely been overlooked in academic literature and national public agendas to date.

We will begin by reviewing the notion of the new poverty in various contexts: Western Europe, the former communist countries, and the United States. We will then explore its manifestations in various countries in the region, before looking specifically at the case of Argentina. Here, we will begin by examining the characteristics of impoverishment in the

Argentine middle classes, which until the mid-1990s took the form of wage depreciation rather than unemployment—as was the case in Europe—which came later. We will then explore different aspects of the process, in particular the strategic use of social and cultural capital, contrasting this with the strategies employed by traditionally poor sectors in order to reflect on how impoverishment affects identity. Subsequently, we will discuss the urban dimensions of impoverishment, before concluding with a brief look at the flipside of impoverishment, namely the upward mobility of a portion of the middle classes, and a reflection on what is occurring today from the standpoint of the new poverty.

These reflections are based on a series of studies on the new poverty taken from the 1995 book by Gabriel Kessler and Alberto Minujin, *La Nueva Pobreza en la Argentina (The New Poverty in Argentina)*, the doctoral dissertation by Gabriel Kessler (1998),ⁱⁱ and a series of later articles. The urban dimension of this phenomenon is based on the work of Mercedes Di Virgilio, who has also studied the relationship between the new poverty and structural poverty.

THE NEW POVERTY IN THE INTERNATIONAL CONTEXT

Sociological theory approaches the concepts of the “new poverty” and the “new poor” as polysemous notions comprising the particularities of the contexts in which the changes that have occurred vis-à-vis typical forms of poverty are analyzed. Thus, a single over-arching concept encompasses the diverse phenomena that reflect the specific ways in which poverty traditionally has been conceptualized and perceived in each context, the processes underlying the emergence of this new group, and in particular, the different manifestations of the employment crisis of the past two decades in each context.

In Western Europe these concepts were minted in the late 1980s in the context of the emergence and intensity of new social problems in most European countries, the most significant of these being the enormous increase in unemployment and poverty. Joblessness in the European Community (EC) rose from 2.4 percent in 1973 to 11 percent in 1989, and remained steady throughout the 1990s; new population sectors were affected by a process that Robert Castel (1995) refers to as “the destabilization of the stable.” This was compounded by the average length of unemployment, as the number of people without jobs for extended periods of time grew.

Increased poverty can be attributed to various phenomena. The Organization for Economic Cooperation and Development (OECD) conducted a study (O'Higgins and Jenkins 1989) to measure the evolution of poverty in twelve European countries. Based on a concept of relative poverty (people whose income was below 50 percent of the median income of the country in question were considered poor) the combined number of poor people in all of the countries studied rose from 38.6 million to 39.5 million from 1975 to 1980, and climbed to 43.9 million people in 1985.

As a corollary to this process, the number of people relying on social services and/or other forms of assistance rose. In many countries of the EC, the number of beneficiaries of social assistance doubled between 1970 and the following decade. In these circumstances, traditional social measures such as unemployment insurance were insufficient. Due to the escalating number of beneficiaries, it was necessary to allocate more funds for social programs and redesign measures originally conceived as a response to short-term unemployment that would be quickly absorbed by the next economic upturn. Although new measures were implemented, they failed to reinsert large numbers of people into the labor market.

The new poverty is inextricably linked to the need for innovative social policies since the new poor could not be covered by the two pillars of postwar European welfare states: the first, unemployment insurance, was incapable of covering a population permanently excluded from the labor market and ultimately its reserves were depleted while the second, assistance for specifically designated populations, targeted sectors considered unable to work.

At the same time, the composition of the population receiving assistance changed qualitatively. The proportion of elderly people among the ranks of the poor and welfare recipients declined, as the percentage of working age people in this category increased. Similarly, the number of poor people belonging to large families decreased while the number of individuals and single-parent families receiving assistance rose.ⁱⁱⁱ This new population presented different types of demands: problems relating to excessive borrowing, unpaid rent, debts, and services increased exponentially among a recently impoverished population that found it tremendously difficult to subsist on less than its accustomed income. Lastly, other new phenomena associated with impoverishment included new forms of informal economic activity, a homeless population, and rising crime.^{iv}

The New Urban Poverty in Argentina and Latin America

This is, in brief, the backdrop for the emergence of the concepts of “new poverty” and the “new poor.” To summarize, they refer to social problems that are novel in the context of each society, particularly impoverishment and/or deteriorating living conditions among working age sectors due to increases in long-term joblessness. The emergence of these concepts, however, did not occur without some opposition in the academic field. Some poverty experts sustained that the focus on the new poverty would distract attention from the relatively worse off traditionally impoverished sectors. Another argument was that the use of the adjective “new” could suggest that poverty was a fairly recent phenomenon (Kelly 1984). Likewise, when what has come to be referred to as “the new social issue” emerged in Europe, some social scientists preferred to conceptualize such phenomena together with other emerging concepts such as “social exclusion” and “disaffiliation” in France. In the case of Great Britain, Gaffikin and Morrissey (1992) prefer the term “new inequality” to describe the growing income gap among different social strata.

Put into perspective, the general interest in Europe is in the inflection point between the old and new social issue that, as summarized by Alain Touraine, has changed from a “top-down” to an “in-out” distribution of conflict, in which those outside the system strive to get in, while those who remained inside the system struggle to preserve their position. In that context, the mediating academic and political interest is based on the combined effect of two motives: first, concern over one’s own circumstances. Ultimately, the specter of the downfall of people with whom one shares a similar social background, professional level, and or socio-cultural profile makes one violently aware of one’s own vulnerability: suddenly, no one can be certain of not ending up in the same boat. Secondly, the displacement of perfectly well integrated people who had demonstrated “irreproachable” conduct throughout their lives would appear to call into question two core beliefs governing social life. One is the existence of a certain meritocracy in society, that is, the distribution of rewards and punishments based on personal merits. The other is that the ideal of social progress is eroded in terms of belief in the existence of “mechanisms to direct the path of a developed society, to overcome its turbulences and guide it toward increasingly interconnected forms of equilibrium” (Castel 1995: 387).

From a different perspective, the notion of the new poverty has been used in migration studies in Western Europe. In effect, population flows

into Europe from African, Asian, and Latin American countries added another dimension to poverty. Immigration-related poverty generates tensions in European societies associated with economic, religious, and ethnic conflicts. This is compounded by immigrants' precarious living and working conditions as well as their feelings of loneliness, isolation, and uprootedness (Romero González et al. 1992).

The new poverty also emerged as an issue in Eastern European countries following the collapse of the socialist regimes in the early 1990s. Political and economic transformations led to the abrupt pauperization of many population groups. One of the main causes of this was increased joblessness as excess workers were laid off across economic sectors, those that had been privatized as well as those that had remained in the public sector. At the same time, much of the population earned salaries that could not keep up with the rising cost of living. At the same time, the precipitous sale of various goods and services (public utilities, transportation, basic foodstuffs, and so forth) previously made available by the government at very low prices or at no cost, had a violent impact on modest family budgets. Limited social policies failed to offset the negative impact of these new circumstances. Even in countries where unemployment insurance was implemented relatively quickly (e.g. Hungary, the Czech Republic, and Poland) it was insufficient to respond to even basic needs (Tortosa 1992).

In the United States, the issue of the new poverty is associated with two traditional issues in U.S. sociology. Research on the "declining middle class" focuses on the traditional interest in social mobility (for example, Blackburn and Bloom 1985; MacMahon and Tschetter 1986; Newman 1989, 1993; Phillips 1990; Rosenthal 1985; Stroebel 1993). While these studies rarely mention the concept of the new poor or the new poverty, they do discuss the impoverishment of part of the U.S. middle class in the 1980s. Some U.S. research has referred to "the new urban poverty" in studies looking at the changing composition of urban poverty in recent decades, reviving the 1960s debate over the underclass (for example, Devine and Wright 1993; Jenks and Petersen 1991; Wilson 1987; and from a neoconservative standpoint, Auletta 1982; Mead 1986; Murray 1984). Despite the use of the adjective "new," however, these studies focus on traditionally poor populations as opposed to what we define as new poverty here.

The New Urban Poverty in Argentina and Latin America

Historically, social mobility in U.S. sociology could be regarded as a common theme in social reflection society that moved into the field of sociology (Cuin 1993). Indeed, since the beginning of the 20th century upward social mobility has been a far-reaching phenomenon in U.S. society. As a result, the vast majority of research focuses on this type of mobility, while paying very little attention to mobility in the other direction. Only periods of general crisis such as the Great Depression, and to a lesser degree the 1960s, stimulated a certain degree of interest in downward mobility.

The situation changed beginning with the neoconservative revolution under Ronald Reagan: although less visible than the yuppies—the upwardly mobile middle class—a very significant portion of this same social strata experienced downward mobility. The declining middle class generated quite a bit of interest in the media, perhaps because belonging to the middle class is inextricably linked to the definition of U.S. identity (Newman 1993). Several economic studies attempting to detect the causes of this process (Kaus 1992, Phillips 1990, Strobel 1993) found that the relative income of the middle classes declined significantly from 1973 to the present.^{vi} The Panel Study of Income Dynamics (PSID), an annual study that has tracked the economic evolution of a sample of 5,000 families beginning in the mid-1960s, found a 20 percent decline in membership in the middle class (based on income) in a single decade (Duncan, Smeeding, and Willard 1992).

Strobel examined the impact of technological change on the labor market. This study described a panorama in which a small proportion of well-paid jobs remained stable at the highest organizational level, while the number of mid-level positions traditionally occupied by middle class sectors declined significantly; this was accompanied by a relative increase in low level jobs. The decline in available jobs weakened the salary negotiation capacity of middle class sectors which, in turn, were harmed by a larger labor supply due particularly to the increasing participation of women.

While the unemployment rate in the United States in the 1990s was significantly lower than that in most European countries, there were important peaks during certain years of the 1980s. In 1982, for example, it reached 9.7 percent of the economically active population. Various groups were hit particularly hard including African Americans (18.9 percent compared to 8.7 percent among whites for the same year), women, and older workers. Previously, unemployment primarily had affected blue-collar

workers displaced by de-industrialization and/or technological innovation; in the 1980s, unemployment touched virtually all employment categories.

There is a demographic explanation for wage depression. From this perspective, the salary level of a generation would correlate with its relative size. A larger generational cohort would constitute a larger labor supply and, therefore, more intense competition for the best jobs. Taken together, these factors create pressure for a decline in wages. According to Richard Easterlin (1980), this is what happened to the large generation born following World War II—the baby-boomers—which in the late 70s comprised two thirds of the U.S. labor force.

Other studies address the specific features of downward mobility, as distinguished from poverty. As Newman asserts, “Some downwardly mobile middle-class families end up in poverty, but many do not. Usually they come to rest at a standard of living above the poverty level but far below the affluence they enjoyed in the past. They must therefore contend not only with financial hardship but with the psychological, social and practical consequences of ‘falling from grace,’ of losing their ‘proper place’ in the world” (1989: 8).^{vii}

Various studies show that divorce is a major cause of downward mobility among women (Hoffman 1977; Weitzman 1985). It is common knowledge that women who do not work during their marriage have tremendous difficulties inserting themselves in the job market following a divorce. Women occupy lower-paying jobs than men: even in the mid-1980s, their average salary was only 60 cents for each dollar earned by men. In the case of divorce, these disadvantages can trigger an abrupt descent. A study conducted in California (Weitzman) shows that one year after divorce, 42 percent of men had improved their standard of living, while that of 73 percent of women had declined. Other U.S. studies consider growing difficulties in achieving home ownership as an indicator of regression in upwardly mobile trends (U.S. Bureau of Census 1991). In the 1980s, such difficulties were caused by the rise in housing prices coupled with general wage depreciation.

According to U.S. official statistical standards a person whose current salary is lower than that earned in his or her very first job has suffered downward mobility. At first glance, one might assume that this situation has little quantitative significance. However, a study of 33,000 people (Featherman and Hauser 1978) found that 23.2 percent of respondents

between 21 and 33 years of age, and at least 20 percent of those in other age groups, fell within this category. Going beyond the official standards, other U.S. studies on downward mobility include those who have experienced: 1) unemployment; 2) decreased earnings often associated with job loss and rehiring at a lower salary; and 3) an involuntary decrease in work hours. According to this study, between one-fifth and one-third of adult Americans experienced downward mobility during the 1980s.

To summarize, characterizing the new phenomena of the 1980s and 1990s—which vary from place to place based on distinctions among the traditional forms of poverty and the underlying processes of labor deterioration in each country—the notion of new poverty in different national scenarios calls into question homogeneous views of poverty, making it imperative to reflect on new public policies for a poor population that is qualitatively different from the traditional poor.

THE NEW POVERTY IN LATIN AMERICA

Perhaps due to the pervasiveness of traditional poverty and a relatively less influential middle class in many countries, the notion of new poverty in Latin America has not received the same level of attention as it has in other regions. Similarly, international organizations have not focused on this issue^{viii} despite evidence that income concentration in the 1990s occurred in part to the detriment of middle-income sectors in the region.

Nonetheless, the impact of a series of phenomena beginning in the late 1970s on local middle class sectors has been present in the local debate. In effect, the middle classes have been affected in one way or another, depending on the country, by the debt crisis of the 1980s, followed by structural adjustment programs, income concentration, increasingly costly private services and the decreasing quality of public services, and the changes in the labor market in the 1990s.

Only a few studies on the specific characteristics of this group were found outside of Argentina. One of the earliest is a study by Larissa Lomnitz on the declining standard of living of teachers in Chile in the 1980s (Lomnitz and Melnick 1991). This pauperization occurred in the context of public sector reforms carried out under the regime of General Pinochet (1973–1988). A series of authoritarian changes in the organization of the national education system, coupled with prohibitions on labor union activity, led to a loss of economic and social power among teachers.

In earlier works, Lomnitz (1975) describes a kind of nepotism referred to as *compadrazgo*: a system of informal exchange of favors within the Chilean middle class. Such services generally occurred in the public sector (recommendations for postings, positions in high quality schools, expediting paperwork) because the Chilean middle class was made up mostly of government bureaucrats. The study shows the crisis of *compadrazgo* associated with the public sector reform, which essentially decreased middle class control in government institutions, the latter being the main provider of capital resources for the informal exchanges inherent to this system.

Almost two decades later, the concern over pauperization resurfaced in Chile, but in a totally different way. Following the conceptualization of an “emerging middle class” (Ugalde and Prieto 2001) resulting from the upward mobility of a new social group associated with an expanding service sector, the limitations of the development model and an end to the marked decline in poverty of the preceding decades reintroduced the question of the new poverty.^{ix} Essentially, while poverty levels were reduced substantially in Chile due to more job opportunities and higher salaries, significant inequalities persisted. These are reflected in the fact that lower income brackets were disproportionately affected by job loss and income reductions. The unemployment rate for households in the bottom fifth of the scale rose by approximately twelve percentage points from 1996 to 1998, compared to the national median which rose by slightly over 4 points.

The rise in open unemployment rates in the country and in the metropolitan region beginning in 1998 exacerbated the poverty risk. In the context of high levels of structural unemployment in which the labor market placed a premium on highly skilled workers, a new type of “harsh” poverty emerged made up of individuals and households lacking the basic resources and opportunities necessary to overcome their plight through their own means. In this sense, the “new poverty” in Chile today is linked to the relative stagnation of indigence levels rather than the descent of middle-income sectors. Geographically this phenomenon is associated with social housing projects constructed as part of government policy. As Tironi (2003) points out, the social housing policy in Chile created new forms of precariousness associated mainly with transformations in the composition of social capital due to the destruction of the community ties established in the original place of residence.

The situation in Mexico is different.^x In that country, the correlation between variations in per capita GDP and poverty levels is not confirmed. Some authors suggest that poverty has increased despite the recovery of indicators such as the GDP, due to a long-term trend toward deteriorating real wages and the distribution of job remuneration in the national economy. Overall, unemployment rates in the country are relatively low: open unemployment was 2.8 percent in 1992 and peaked at 6.2 percent in 1995, only to drop down to 2.2 percent in the year 2000. Hence, in the Mexican case the rise in poverty appears to be more closely related to declining incomes than labor market fluctuations. The data available for Mexico City suggest that income is becoming increasingly polarized. Among the working population in general, only managers and semiprofessional service workers considerably improved their real income throughout the decade. By the end of the decade, this group's income had increased 25 percent over 1990 levels, while the real income of other occupational groups—administrative employees, the self-employed, skilled, semiskilled and unskilled manual labor, and low skilled service sector workers—had dropped to below 1990 levels.

According to available data from INEGI for 1998, 54 percent of the employed population—some 18.4 million people—earned twice the minimum wage, in other words, 1,800 Mexican pesos or less than \$180 per month. This situation becomes even more critical considering that the purchasing power of that income dropped 30 percent from 1994 to 1998 (Acosta Córdova and Pérez 1998).

Besides Argentina, Uruguay and Costa Rica are the other two countries of the region where the issue of middle class impoverishment has sparked some attention among academics. And this is no coincidence since both countries are characterized by the real influence, as well as the self-perception, of a middle class that defines national identity. Uruguay^{xi} has sustained significantly more favorable patterns of inequality than those in most countries in the region and the regional average. This is true of poverty and indigence rates. Nonetheless, poverty rose in the latter half of the decade, following a significant decline from 20.5 percent in 1990 to 12.8 percent in 1994.

In this context, impoverishment appears to be closely linked to the behavior of the job market, and in particular to higher rates of open unemployment. Some authors assert that reduced employment options

has led to growing institutional disaffiliation in the job market, increasing the risk and uncertainty of households and individuals situated in the third and fifth decile. Those most affected by increased unemployment include first-time job seekers lacking prior experience, women, and displaced middle-aged workers with low educational levels. Increased job insecurity appears to be another aspect of this process. This is most prevalent among individuals and households in the poorest sectors. Moreover, in recent years, income has declined significantly across social strata.

Finally, Costa Rica's situation is very similar to the Argentine case. Not surprisingly, this is another country that defines its regional identity based on the presence of a strong middle class, to the extent that every crisis episode seems to translate into concern over the possible disappearance of the middle class as a form of describing the more general issue of changes in the social structure as a whole. The work of Vega Martinez shows that while the quantitative influence of the Costa Rican middle class remained steady, its standard of living had been affected. In effect, the government's reduced role as an employer and the decreasing quality of public services with the attendant increase in middle class household expenditures on private health and education services, presents a panorama of a middle class strongly linked the state, very similar to the situation in pre-Pinochet Chile. Therefore, this author concludes, when the Costa Rican government is in crisis, the Costa Rican middle class also is in crisis.

Brazil clearly reflects the problems of the middle class although not exactly in the sense of the new poverty but rather that of a middle class threatened by myriad dangers. The first of these is urban insecurity: an excellent study by Teresa Caldeira (1996) shows a middle class raising fortified walls around its private enclaves, where an "aesthetic of security" is advertised as a "complete living system." Other studies describe more traditional middle class segments threatened by changes in the economy and the working world. Grun (1998) shows how traditional categories and visions of the working world persist despite having little in common with evidence of the growing influence of the service economy and new management styles. O'Dougherty (1999) surveyed a middle class that feared losing its consumption levels. But in contrast to the preceding example, it still adheres to economic principles premised on a global capitalist system whose benefits can be reaped locally. In this view, neoliberal government and economic reforms will make it possible to restore

the world of middle class consumption from which the middle classes fear they are being excluded.

Lastly, evidence of impoverishment can be observed in Venezuela as a result of significant increases in unemployment and poverty (Hoffman and Centeno 2003), and in Cuba, where the influx of foreign capital and the privatization of certain economic sectors has created a “dollar apartheid.”

FACTORS OF IMPOVERISHMENT IN ARGENTINA

The impoverishment of the Argentine middle classes is relevant for a number of reasons. First, because of the magnitude of a descent that transformed the whole society, from its social structure to its self-image as a society; second, because it is the result of cumulative factors over the past two decades; and, third, because it is paradigmatic of potential analogous processes—present or future—affecting the middle classes in other countries in the region.

If one were to trace briefly today the trajectory of the new poor, the overlay of factors contributing to their descent, one should start with the declining income of midlevel semiprofessionals dating back to the installation of the military government of 1976. This initially took the form of income dispersion within each occupational category. At the outset, then, the new poverty was largely the result of income depreciation rather than loss of employment, as occurred in Western Europe. In the early 1990s it was compounded by impoverishment due to rising unemployment and, beginning in 1995, to income distribution skewed against less skilled workers, which also impacted the lower middle class strata. Simultaneously, deepening job insecurity throughout the decade, affecting less skilled workers first and then spreading to more highly qualified workers, became a new factor in impoverishment.

Let us take a closer look at each of these factors. The impoverishment of the 1980s was attributable to salary depreciation and the loss of direct and indirect employment-related benefits, although because of inflation and low productivity in different sectors, unemployment remained at relatively low levels. The runaway inflation of 1989 marked a turning point as the pace of impoverishment accelerated in conjunction with rising unemployment. To give an example, in Greater Buenos Aires—the most important district in Argentina from the standpoint of population—joblessness climbed from 6.3 percent in 1991 to 16.0 percent in 2000.

The 1991 Convertibility Plan benefited macroeconomic stability and growth yet failed to reverse the widening income gap among households or solve the problems of the job market (Altimir and Beccaria 1999). The temporary upturn early in the decade partially reversed the trend toward salary deterioration, but failed to restore the highest levels attained in the 1980s. The year 1994 marked another turning point in income levels: inequality became increasingly apparent as the income of less skilled workers declined. In May 1999, a person situated in the richest ten percentile earned 25 times more than someone in the poorest 10 percentile. Two years before, this gap was 23 times, compared to 15 times at the beginning of the 1990s, and eight times in the 1980s (CELS 2001).

Labor demand prioritized the most highly skilled workers and therefore inequality persisted even in times of recovery (1996–1998). At the same time, many heretofore stable jobs became increasingly precarious leading to frequent job rotation that exacerbated income volatility.

The crisis in the labor market and growing gaps in household income had an enormous impact on the standard of living of certain middle class sectors, which gradually took the form of an emerging new poverty associated with lack of income. The income poor accounted for 3.2 percent of the population in 1980 (Kessler 1998). At the end of the 1990s, however, 26.7 percent of individuals—or 18.9 percent of households—did not earn enough to cover their basic needs for goods and services. Despite the temporary upturn experienced by certain groups at the start of the decade during the economic stabilization process, pervasive income-related poverty was consolidated as a structural trend. As shown by a recent study on social mobility in Buenos Aires (Espinoza and Kessler 2003), in this scenario, the traditional image of upward mobility is blurred and loses its validity; this is particularly true of positions on the lowest rungs of the occupational scale, which were severely jeopardized by the disappearance of salaried workers' positions and cuts in public sector jobs and replaced mainly by informal or unstable service positions.

We also mentioned the growing instability of the labor market throughout the decade, even in times of economic expansion. Indeed, as Oscar Altimir and Luis Beccaria (1999) show, most jobs created in the 1990s were insecure, low-paid, and lacking in social benefits and protection against layoffs. Such positions are extremely volatile and lead to considerable income instability. They are mostly filled by less educated, low-skilled

individuals, particularly at the entry level. From the standpoint of society as a whole, this creates a pattern of career paths marked by instability: frequent moves from job to job, all precarious, low-skilled, short-term, and interspersed with periods of unemployment, underemployment, and even exodus from the working world as a result of discouragement.

The consolidation of such employment trajectories forces a change in traditional images of poverty since, as recent studies demonstrate, instability means that more and more households experience periods of poverty, at least temporarily. Moreover, as we have shown in other studies (Kessler 2002b), job instability has specific consequences that are distinct from those associated with poverty and unemployment, in particular, new types of relationships with legal and illegal means of obtaining income among working class youth.

THE EXPERIENCE OF PAUPERIZATION

What are the specific characteristics of impoverishment, especially when contrasted with structural poverty and unemployment? To answer this question we will focus on the experiences of pauperization associated with income depreciation among those who retained their jobs. First of all, it is important to note that the new poor comprise a hybrid stratum: they are similar to middle income sectors in terms of long-term economic and cultural aspects such as educational level and family composition—families tend to be smaller than those typically found among the structural poor—yet they resemble the poor in terms of income level, underemployment, and lack of a social safety net, in other words short-term variables stemming from the crisis. The data also indicate that the new poverty is characterized by polarization and heterogeneity. As mentioned earlier, statistics demonstrate a tangible drop in income levels across occupational categories. At the same time however, there is a widening gap between the highest and lowest income levels within each category. The new poverty, therefore, constitutes a heterogeneous universe made up of the “losers” in each professional category.

Not coincidentally, this quantitative heterogeneity has a qualitative dimension. The heterogeneity of socio-professional profiles creates very diverse social trajectories in terms of socialization, education, and family and professional background. As they followed their heterogeneous pre-poverty trajectories, people internalized very diverse expectations, beliefs,

classification criteria, sets of demands, and potential resources. And once they become impoverished, these diverse trajectories form the backdrop for the heterogeneous ways in which they experience poverty.

Impoverishment entails, in the first instance, profound changes in daily life as, one by one, daily household routines directly or indirectly related to finances are jeopardized. A family's descent might mean taking a child out of the same private school that other siblings had attended, modifying the family diet, restricting the use of the car or family trips, not attending a party for lack of appropriate attire, canceling a club membership, leaving off computer-related activities, therapy, soccer, music, magazines, movies, pre-paid medicines, and different aspects of social life. It might mean lagging dangerously behind in tax payments, letting an insurance policy lapse, and defaulting on half-paid loans, or adopting a family limit on the frequency of dinner invitations, dental visits, or the use of electricity and the telephone, among many other examples. This alteration of daily habits also uproots deeply ingrained sources of meaning, in other words expectations and perceptions previously taken for granted that cannot withstand the dislocation of daily life.

In the context of the new poverty, all financially related aspects of family organization, and even the most routine and usually least problematic practices are subject to revision, modification, and suppression. This is one of the unique characteristics of impoverishment that we have termed the constant coercion to change. In this sense, impoverishment is distinguished from a stable situation in which daily routines tend to perpetuate themselves and time passes without compelling people to make constant decisions. It is also distinguished from upward mobility, where change also occurs, but as a result of an intentional choice, the desire to set a particular course in life.

This coercion to change increasingly complicates daily life as constant efforts are made to stabilize it. This need is even more powerful because from the standpoint of individuals, dislocation affects not only one's personal life, but also the surrounding environment. Pauperization is experienced simultaneously as a personal dislocation and a disruption of the surrounding social milieu. This dual perception makes it impossible to achieve an "adaptation" in the classical sense of the term: acclimation to a defined or definable new context. There is no doubt in the minds of the new poor that everything has changed, but they do not understand where

they are and the nature of this new world in which they find themselves without knowing exactly why or how they got there. Hence, they must find meaning for a situation for which they find no answers, not in the “reserves of the common experiences of society”^{xii} (Schutz 1987) and not in their own family history.

In our view, this is what lends pauperization its unique character in modern Argentine history. The impoverishment of a significant portion of the middle class marked an abrupt departure from the existing generational model and historical-cultural model. Nothing in their family socialization, culture, daily strategies, or even their worst nightmares had prepared them for definitive poverty, with no return. This downfall marks, for the new poor, the end of the process through which the meaning of the family social trajectory is reproduced, symbolized by the upward mobility of each generation with respect to the preceding one. Impoverishment with no hope of recovery is the end of the incline, a turning point that threatens to ripple into the future in the form of the feared downward mobility of their children.

The breakdown of the historical-cultural and generational model initially creates a situation of general illegibility, which is reflected primarily in the difficulty of describing the situation, in other words, the inability to characterize the new experience drawing from the stock of elements available in the history of that society. Since impoverishment was not anticipated as something within the realm of the possible, there was no behavioral yardstick with which to confront it, as there was to confront that other type of frequent crisis in Argentina: inflation (see Botana and Waldmann 1988; Sigal and Kessler 1997).

Secondly, the breakdown of the cultural model weakens the shared ideological nucleus. In a society marked by economic, political, and social instability, the myth of collective progress stood for a consensus-based, stable, ideological nucleus, perhaps the only thing that remained standing throughout all of the changes and crises experienced. The unlikelihood of progress calls into question this ideological nucleus, while leaving nothing else in sight to replace it.

We should also point out a third type of upheaval resulting from the disorganization of daily interactions, which we call alteration of status-role relationships. In Linton’s classical vision (1945), status is the normative definition of rights and duties, behaviors and—of particular interest

to us—responses to the behaviors ascribed to a particular social position (for example, father, teacher, doctor). The role, then, is the acting out of that status in practice. The new poverty is characterized by the retention, albeit relative, of socio-professional status concurrently with the progressive loss of income. This leads to the breakdown of traditional status/role relationships since the socially “normal” responses associated with socio-professional roles are no longer forthcoming: not only salary and social benefits, but also social prestige and recognition in one’s interactions. The new poor continue to define their status based on the cultural codes that informed their past expectations, but impoverishment progressively erodes the set of responses associated with that status. In this sense, pauperization can be seen as a progressive distancing of traditional status-role relationships.

ADAPTATION STRATEGIES: THE USES OF SOCIAL AND CULTURAL CAPITAL

Upon entering the homes of the new urban poor, one of the things one notices is the apparent dislocation of the traditional hierarchy of needs. In effect, in their efforts to “stop the descent” some people lack health insurance coverage yet maintain their annual beach vacation schedule. Others continue to send their children to private school even as they report shortfalls in the areas of health, clothing, and recreational activities. There are cases of newly impoverished people living in totally deteriorated conditions, yet who still have access to high quality health care, and it is not impossible to find people who combined generalized indebtedness with membership in a sports club and periodic updating of their wardrobe.

What happened? Did the crisis provoke a domestic disruption that totally upended normal hierarchies of needs? Not at all. The apparent disorder has to do with the type of resources one has at one’s disposal. Essentially, many of these resources come from cultural capital and particularly from social capital accumulated in the past. Unlike money, which permits fractionalization, such resources are inherently discrete in that they cannot be divided up. They are, then, specific responses to certain needs that cannot be transferred to others. Therefore, each family’s consumption pattern is determined by the coexistence of practices that cannot be readily compared to those of any other social sector in Argentine society: not the middle class, not the working classes, and not the poor.

As mentioned, these resources come from the social capital and the cultural capital of the new poor. People within this group possess different types of capital—and this is more apparent in the case of social capital—due to their diverse social trajectories prior to their descent into poverty. In the origins of these diverse trajectories we discover, once again, the variety of professional groups that make up the new poor. In the context of the new poverty, the resources now available to people were accumulated in a different social context and for other purposes and, in fact, often had never been considered as such. Now, persistent poverty has led them to design strategies to buffer the fall in which friends, relatives, relationships established in other contexts, and even subconscious linguistic abilities are called upon to produce some benefit. In every situation, the impoverished must operate by trial and error to detect which attribute could result in capital. But even success does not allow them to generalize: each situation is different from the preceding one and requires a new experiment involving trial and error. Impoverishment exposes the uncertainty of all social and cultural capital, the impossibility of defining it as such until it is actually called upon to be of use.

Let us take a closer look at this. If we compare it to traditional poverty, in Latin America political patronage has long been regarded as a means of informal distribution of goods and services among the poor. Patronage is possible thanks to the discretionary use of assistance programs in densely populated lower class neighborhoods (working class neighborhoods, shantytowns), which have quantitative influence at election time. In contrast, such transactions seem to be less feasible with respect to the new poor, since the latter are not concentrated geographically and are not targeted by specific social policies. Ultimately, these individuals must negotiate personally with public agencies in order to obtain scarce goods, additional benefits, or simply to try to minimize the obstacles to their use.

We attribute to *cultural capital as an incorporated state*^{xiii} (Bourdieu 1979) a series of privileges that the new poor may obtain from institutions such as schools, hospitals, or labor associations. These benefits are particularly evident when contrasted with how the same institution behaves with the structural poor. By leveraging previously accumulated resources, the new poor may benefit from special treatment at school, at the hospital, and in social institutions. At the hospital, they find it easier to obtain appointments with specialists, a bed, or free medication. They try to get their

children placed in the public schools with the best reputation, in full-day programs (sought after by families with two working parents) and in preschools (which are not required to serve the entire population as they are not part of the mandatory school system). In municipal offices, conflicts revolve around the distribution of goods, economic assistance, and subsidies, while in the area of social security the goal is to get the agency to accept responsibility for some health service for which coverage is not clearly defined in the statute.

Many of the new poor are able to establish a certain complicity with administrative employees who accorded them preferential treatment. Despite this, the majority of negotiations are conflictive. The disputes usually arise when a dissatisfied consumer “speaks up” (Hirschman 1970). He tries to impose upon the service provider his own definition of the latter’s role: how he should do his job, particularly how he should treat the consumer, what information he should have, how quickly, and so forth. From the role of the staff, he might move on to the obligations of the institution as a whole and, in some cases, engage in a heated discussion of his “rights” as a consumer, and the particular “respect” and “consideration” he is due because of his social status, professional qualifications, or some other attribute that distinguishes him and raises him above the undifferentiated mass of consumers.

The claim to legitimacy underlying the whole argument is based on references that are presented with various degrees of explicitness and sophistication: from flashing a professional title or rank superior to that of the other party to the conflict to a detailed description of how the job should be done properly, his in particular, which leaves no doubt as to his social status (“when a client comes to my company...”). It is not unusual for such individuals to threaten to complain or report employees, although not through the regular channels (filing a complaint) but rather by going directly to the supervisors, whom they often claim to know personally.

Despite these efforts, the means remain uncertain and each new interaction is an experiment in trial and error: no attribute is cultural capital, or stops being so, until it has been tried out. No attribute is guaranteed effective: a degree, professional status, a vague reference to rights or citizenship, or any other attribute that might distinguish that person and place him above all the other consumers, can be transformed into capital through a successful transaction yet stop serving as such in the next

attempt (with a different institution, or with a different provider in the same institution, or even with the same provider).

Social capital essentially is used to obtain accustomed goods and services, which can no longer be accessed through market rules. In this case, people attempt to identify potential providers among their acquaintances and to create personal networks through which to meet different needs. But rather than establish transactional relationships completely separate from the market, such as those described in studies on low-income sectors in Latin America (Lomnitz 1975; Ramos 1981, in the case of Argentina), they seek instead to stretch the normal rules of exchange.

As already stated, what we now refer to as cultural or social capital are actually attributes that were accumulated in a different social context and for very different purposes, and perhaps had never been regarded as resources in the first place. Imagine a professional seeking a promotion. In such a situation, one interesting type of capital would include a significant number of colleagues. However, if the professional in question becomes impoverished and is pursuing a strategy to cushion the fall, this accumulated capital will not have the same value. When the goal is to cover unmet needs, a broad spectrum of professional profiles is more useful in that it is synonymous with a wide range of potential services. Besides, from now on the favors requested will be of a very different nature (e.g. asking for money rather than a recommendation). It is impossible to predict whether someone who agreed to provide a service in the past will agree to respond to the new request, or whether the “needy person”—feeling that such a request lacks legitimacy—might voluntarily refrain from making it. The social capital accumulated for one strategy cannot be readily transferred to another.

The theory of social and cultural capital is designed for a stable context in which, for example, social relationships are accumulated with a specific purpose in mind: upward mobility or surviving poverty. Impoverishment is a changing context and ultimately what may be social capital in the first situation enters into a state of limbo. All social capital, then, is potential; in other words it suggests the possibility, but in no way, ensures that benefits will be obtained from the network of contacts. In each case a test operation must be carried out if a particular relationship is to be transformed into effective social capital. This operation is particularly complex and risky when one is impoverished. The new poverty exposes the uncertainty of the

value of potential resources, the usefulness of which will not be confirmed until they are put to the test in a specific instance.

Lastly, there are limits on the use of accumulated reserves of social capital. First, they cannot be used over and over again in similar situations unless there is some type of reciprocity for the provider of the benefit: among the low-income sectors studied, no reciprocity is possible. Secondly, while these reserves may be able to meet demands up to a certain point, it gets very complicated beyond that point (a doctor friend can make a diagnosis, but if an operation or more complicated treatment is required, it will no longer be possible). Third, economic capital, which is scarce in the context of the new poverty, is required to reproduce many types of transactions. As a result, the social capital of the new poor is a disappearing resource in the absence of the transactions necessary to reproduce the capital.

SOCIAL IDENTITY AT STAKE

How do individuals affected by impoverishment define their place in society in this context? Does pauperization affect previous patterns of self-characterization?^{xiv} The question of identity is critical to the new poor, who ask themselves time and again—and ask sociologists during interviews—who we think they are.

In contrast to situations of joblessness, in the early stages of impoverishment the job has not been lost; there has been no “rite of dismissal” such as a layoff that suppresses the existing classification and simultaneously creates the basis for a new one (for example, from general manager to unemployed professional). However, empirical studies show that pauperization calls into question a core aspect of self-definition: belonging to the middle class. The middle class has always been intimately linked to the always problematic definition of Argentine identity. Surveys conducted in the 1980s showed that over 70 percent of the population included itself in a group whose enormous size constituted the main distinction between Argentina and the rest of Latin America. In the visions of progress of our immigrant forebears, the middle class meant one had arrived.

During the period of runaway inflation, the “demise of the middle class” was the specter of the annihilation of a stratum and of the vision of country that it embodied (Sigal and Kessler 1997). Its disappearance would transform the social structure, which would move from a situa-

tion of ternary equilibrium to one of dichotomous conflict between the upper and lower classes. Argentina would become like Brazil, which in the mind of the Argentine, is the example of a dual society beset with misery and violence. Runaway inflation was a bulldozer that razed the entire public space of that period. By leaving virtually no group untouched, it contributed to the collective posing of the middle class issue as the demise of an entire class.

Because pauperization is a long, gradual process, less visible as a social problem until a certain amount of time has passed, the question is posed more at the individual level in terms of one's own permanence in, or expulsion from, the middle class. It is a critical question for the new poor, who attempt to respond in different ways. Underlying this concern is the fact that impoverishment calls into question a deep-rooted social belief: "being from the middle class" went without saying. The uprooting is posed not as a single question—*to be or not to be* middle class—but rather as a questioning of the entire semantic web surrounding the concept. In effect, the question of belonging leads to other questions, such as the definition of the criteria for inclusion; it also leads to a reflection on the status, degrees, or cultural level of the past. Those affected also ask themselves about the scope of the change: has it been individual, affected the whole social group, or all of society? Finally, if they conclude that they have been excluded from the middle class: to what new category or identification will they belong?

Underlying such questioning is the suppression of certain forms of consumption. Self-inclusion in the middle class was based on access—whether real or potential—to goods and services that transcended mere survival; this included certain types of clothing, outings, vacations, appliances, vehicles, etc. While educational level was important, at the end of the day, consumption was the decisive factor. This is true, first, because one could still belong to the middle class even without a degree and, second, in a lifestyle crisis, not even the highest academic credentials could stop one from questioning one's identity. The middle class is defined in daily consumption habits; this is the basis for its great popularity in normal times and its extreme fragility in times of impoverishment. Indeed, it is so widespread as a self-defining category precisely because self-inclusion requires no initiation rite. In contrast, in times of crisis such as the one under examination here, that same permissiveness becomes an Achilles

heel since there is no institutionalized practice, past or present, that can serve as a retention mechanism.

We found two different points of view in response to the issue of a new identification category: people who asserted that they still belonged to the middle class and those who consider themselves expelled. The former stressed attributes that compensated for their lower standard of living: academic degrees, job status, cultural level, customs, the past, etc. Some referred to the “mass devaluation of the middle class,” the cumulative effect of which worsened their standard of living, while asserting that the middle class still existed and that they still belonged to it. In a similar vein, some people believed that the middle class had changed *en masse* into something else entirely, for example, a “lower upper class.” It was therefore a collective transformation rather than an individual expulsion, since the ternary division of the social class structure remained; there is still a third segment in between the upper and lower classes, except that it had descended in the direction of the lower class.

Remaining in the middle class requires efforts not only to maintain certain practices, but also to avoid others that would confirm that an expulsion has taken place. In order to preserve one’s status in a particular category in relative and hierarchical terms one must respect certain intrinsic boundaries. In this sense, we can understand the refusal of many of those interviewed to consider themselves legitimate beneficiaries of assistance policies such as free food distribution. Even families living in situations of severe poverty believed that “it was not for them” but rather for “real poor people.” Since such measures traditionally have targeted the poor, any recipient is poor by virtue of receiving it. Assistance would have a direct labeling effect; by rejecting it, such families were trying to avoid stigma.

The other position is to consider oneself expelled. In these cases, “lifestyle” is the crux of belonging. Self-expulsion is more common among those lacking a degree or a skilled job, the things that help compensate for a deteriorating standard of living. However, people in objectively similar situations adopt different points of view depending on whether they place more emphasis on what has been lost or on the things that endure (“I’m a professional no matter what”). Once the (self) expulsion has been decreed, it becomes a matter of looking for a new category of belonging. It should come as no surprise that in absolutely no case did people consider themselves “poor”; the poor were the structural poor, from whom they were distin-

guished by their past as well as by their current lifestyle. Instead, they tried to find a category that reflected the heterogeneity of their experiences. The new poor comprise a hybrid stratum in which consumption habits, social relations, assets, shortages, and beliefs traditionally attributed to different social groups coexist. Because of this hybridism, there are many different answers to the identity question. In this case, unable to decide between middle class and “poor class,” they include themselves in the “working class” thereby altering the parameters of classification: from lifestyle to source of income (salaried worker). However, rather than definite responses, the empirical study shows a situation of doubt, a sort of social identity in limbo. In some cases, the “identity drift” is such that the interviewer, as a sociologist, is asked to define the new situation, as occurred in the following testimony offered by a woman interviewed in Greater Buenos Aires:

No, middle class, not any more. I wish! There are the poor who've always been poor, without any hope of getting out of it. I guess if it's God's will, I could end up being poor, but I hope not. The poor are farther over...I don't know; I know it's not middle class, poor by accident of birth, no.... And you, as a sociologist, where would you place me?

That was the situation we found in the mid-1990s. Recent studies, however, indicate some interesting changes. First, the notion of expulsion from the middle class was nearly the majority view and significantly, many people considered themselves among the new poor. The category had, in fact, transcended academia and been appropriated by the subjects themselves. Parallel to this identity transition was an expansion of people's strategies to distinguish themselves from the “real poor,” a central indicator of which was a change in attitude vis-à-vis the previously rejected assistance programs. All that has changed. In a study underway on assistance programs from the Argentine Jewish community targeting the new poor, it is evident that this population was initially reluctant to cross the assistance threshold. Once they do, however, they have a tremendous ability to “speak up,” to step up their demands, and to transform assistance into an entitlement. Mobilizing accumulated cultural capital, they are able to adopt identity strategies based on confrontational transactions with their providers—and with themselves—which allow them to circumvent the threat of humiliation and a sense of social disqualification.

THE URBAN DIMENSION OF THE NEW POVERTY

The spatial aspects of new poverty and its relation to access to housing and urban services have not been fully explored. It is interesting to note that the new poverty does not fit the pattern that defined urban poverty for decades: shantytown equals poverty. The presence of shantytowns in the city is virtually an automatic territorial expression of its residents' position in the social hierarchy. The new poverty does not fit this mold of structural poverty to the extent that social position does not necessarily correspond to standard patterns of geographical distribution or uniform conditions of access to housing and urban services. The new poverty, more diffuse and hidden than structural poverty, modifies uses and practices in the city, thereby generating a new level of conflict in urban life (Prevot Schapira 2002).

In the metropolitan area of Buenos Aires, 91 percent of income poor households are located in established urban neighborhoods. Only nine percent of poor households are situated in squatter settlements. However, a separate analysis of the composition of each of these forms of urbanization reveals that while 26.8 percent of those living in established urban neighborhoods are income poor, this percentage rises to 59.1 percent for households located in shantytowns. The data show that while structural poverty and the new poverty present different territorial patterns, they should not be construed as completely isolated "worlds." To the contrary, the new poverty and structural poverty merge in the universe of want, with different characteristics and levels of intensity.

Decades of impoverishment and the impact of unemployment have broken the mold that confined poverty to well defined, clearly identifiable areas. The poverty of the 1990s is a poverty that is manifested in the nooks and crannies of the city. In the past 10 years, the poor in Buenos Aires have appropriated small vacant areas in central parts of the city: government property, buildings abandoned by their owners, factories, and sheds, which are used as housing, frequently lack adequate sanitary and electrical facilities, and the water and electricity often have been discontinued for lack of payment. Despite reaping the benefits of living in the city, their living conditions have deteriorated considerably due to the uncertainty and insecurity associated with the means of subsistence and housing quality (Herzer and Di Virgilio 1996).

Households reacted to these circumstances affecting the use of public services—water, gas, electricity, telecommunications, and transportation.

The reduced purchasing power of lower income groups means they spend less on food and health care and their ability to pay to improve their living conditions or pay for housing and services is drastically reduced.

Existing housing facilities also deteriorated considerably. As mentioned above, for a long time the position of different social groups in the social and occupational hierarchy was reflected almost without exception in particular landscapes that followed relatively straightforward patterns: formal neighborhoods versus shantytowns. Today the formal city subsists, but the way it is used and the state of its physical infrastructure is slowly changing.

This deterioration has gone hand in hand with the government's withdrawal as a provider of certain public services, which, up until the 1990s, regulated certain minimum standards of living conditions and currently are very limited in scope. In the framework of government reforms in the 1990s, the internal system for the reproduction of city life changed significantly. Massive privatization of services displaced the management of collective urban expendables into the market's orbit. This privatization process included the sale of basic urban services. People demanding such services were confronted with a new scenario in which access was virtually exclusively regulated by the ability of households to earn enough to cover their basic needs for goods and services, as the costs of living in a formal city were transferred to workers' direct earnings (Catenazzi and Di Virgilio 2001).

The limitations on government action were also evident in the reduced capacity of public agencies—for example, schools, hospitals, and social institutions—to process the demands of impoverished sectors due to the lack of human resources and inputs, and the elimination of certain benefits. The new poor go to a hospital where surgery is still performed, but no beds, bandages, or medicine are available; they call for emergency services, which still exist, but there are no ambulances; they send their children to schools that remain open, but certain subjects are no longer taught, months go by without classes, or the teacher is totally apathetic; they save to buy sophisticated alarm systems that call the police when the burglars enter the house, but the police do not come; and they go to government offices which are located in the same place as always, but are grossly understaffed.

The sheer scale of impoverishment should not allow us to overlook another segment of the middle class that “came out even,” in other words, whose situation did not change much, and a minority whose situation actually improved in the 1990s. Nothing illustrates this more clearly than

the widening income gap throughout the decade. In the early 1990s, the median per capita income of the richest 10 percent of households was approximately 20 times greater than that of the poorest 10 percent, a ratio that rose to 30 times by the end of the decade (Altimir and Beccaria 1999). Among the “winners” were middle class segments situated in more vibrant economic sectors. Marsella Svampa (2002) studied this stratum from the standpoint of the suburbanization process of the past decade in which 400 new private neighborhoods and country clubs sprung up in the suburbs of Buenos Aires and other large cities. Although this process originated years ago in other Latin American cities such as Sao Paulo, Mexico City, and Caracas, it gained impetus in those cities in the 1990s and emerged in other cities where it had not been observed previously such as Santiago de Chile and Buenos Aires.

What we are getting at here is that in order to grasp the general context for impoverishment, it is important to consider what has happened to other segments of the middle class. In this sense, suburbanization is affecting the whole Argentine urban physiognomy. An essentially European “open city” model based on the notion of public space and values such as political citizenship and social integration is being displaced by a “closed city” system resembling the U.S. model and based on an affirmation of private citizenship, which intensifies social fragmentation. For a long time in our country, the open city model, despite its deficiencies, was established pursuant to a social blueprint premised on the explicit recognition of a democratic society. In this sense, one can describe social integration as a process that connects horizontal relations (within a social group) with vertical ties (to other groups in the social hierarchy) in diverse socialization frameworks. The open city provided more than a few of these frameworks: the public school, the central square, the neighborhood street corner.

As a result of the suburbanization process, the winners among the middle classes began to cut off ties with their peers in worse straits and to live in areas formerly reserved for the traditional upper classes. This would undoubtedly dilute what was left of the cultural homogeneity of the former middle class. Indeed, the successful middle class began to rub elbows with the established upper class in the new closed communities. Svampa observes that despite the differences in terms of capital (mostly economic and social) and longstanding class traditions, the upper classes and a successful swath of the middle classes have become allies in a series of expe-

riences relating to consumption patterns, residential styles, and in some instances, the workplace, in other words, the cultural and social frameworks for the web of relationships underlying new forms of social interaction. With the fracture within the middle classes consummated and a social takeoff ensured, an “upward integration” is in motion. The winners are discovering with every passing day, after the initial incongruity of status, something more than a growing affinity of choice.

DOWNWARD AND UPWARD MOBILITY IN RECENT YEARS

Finally, what can we say about the new poverty in the years that have past between the earliest studies and the present? What changes have occurred inside this group? First, the new poverty is not exactly new any more; many of the poor were impoverished over a decade ago. This means they have endured new social problems stemming from years of descent such as the frequent expropriation of real estate and other property after years of accumulated debt that has been observed in large urban centers.

Secondly, in the early 1990s the phenomenon of new poverty was “behind closed doors” in that it did not generate collective action or strategies. Today, as González Bombal (2002) shows in the study of the Barter Club—an experiment in bartering goods and services currently involving approximately a million people—impoverished middle class sectors have stepped over the threshold to organize collective strategies such as this one. This leads them into greater interaction with lower class sectors in those same spaces generating—in contrast to the description of the private neighborhoods—a “downward integration.”

The bartering clubs offer an excellent opportunity to observe how certain ties have developed between impoverished middle class sectors and lower class sectors affected by the crisis. New kinds of exchanges occur: the lower class sectors gain access to certain services (like traditional and alternative therapies) unique to the urban Argentine middle classes. The middle class sectors, in turn, exchange such services for goods (home cooked meals) and other types of services more in keeping with lower class sectors (housekeeping, maintenance). Each stratum, however, places a different value on the process. While the lower class sectors experience it as social climbing to the extent that they gain access to sectors and practices identified with the middle class, the newly impoverished view such ties as a sign that the much feared expulsion has finally come to pass.

Third, we have seen a change in the causal attribution and demands placed on the government. While many of the impoverished initially blamed themselves for their descent even as they demanded that the government help them, this has now changed. The work of González Bombal shows that the impoverished no longer feel responsible for having caused their situation; the installation of a national public agenda on the impact of globalization and neoliberal reforms on the middle class has enabled them to ascribe their personal history to a collective destiny. However, in contrast to past years, they no longer expect anything of the government.

Fourth, in many cases the paths of downward mobility observed in the early 90s now can be seen as erratic trajectories. A recent study on occupational mobility in Argentina (Espinoza and Kessler 2003) reveals how the situation of some of the impoverished at the beginning of the decade improved during subsequent growth periods only to decline again. Obviously downward mobility has a different impact on people's strategies and attitudes than a path characterized by ups and downs. Moreover, throughout the decade a process of structural upward mobility was observed, meaning that there was absolute and relative growth in the proportion of positions considered middle class because of the skills level required (Torrado 1993). At the same time, however, the benefits and standard of living associated with those positions decreased as a result of income deterioration and general job insecurity. Because of this, in many cases inter- or intragenerational upward mobility in terms of the type of job did not leave people better off—and sometimes left them worse off—relative to the past, thereby creating what we have termed spurious mobility (Espinoza and Kessler 2003).

Finally, it should be noted that our focus on what happened within the middle classes as a novel phenomenon in the 1990s should not preclude a brief look at what occurred in the area of traditional poverty, the structural poor. In this regard, those of us who have studied poverty since the 1990s merit a dose of (self) criticism. We were so focused on the novelty of what was going on in middle class socio-professional sectors that we failed to look beyond that to analyze the impact of this impoverishment on the social structure as a whole. Specifically, the impoverishment of the middle classes and their displacement from certain positions as unemployment increased led in turn to the displacement of longstanding poor people to lower skilled jobs. Moreover, as the skills and qualifications

required for certain other jobs changed as a result of modernization, they could no longer be filled by the poor due to their lack of education. This displacement of the old poor by the incoming new poor helped to redefine the characteristics of structural poverty.

A recent exploratory study on the composition of structural poverty among families living in a Buenos Aires shantytown (Di Virgilio 2003) reveals that the structural poor have had to increase their participation in the labor market—in general their activity levels exceed those of the population not living in conditions of structural poverty—working in very low-skilled, extremely precarious jobs. Self-employment and intermittent employment are prevalent among the most poorly situated heads of household in terms of production and consumption. This type of occupational insertion usually offers no opportunity for advancement, is poorly compensated, and leads to growing insecurity in many households.

Porcú (2003) also tracks the effects of middle class impoverishment on the poorest sectors. Unemployment in the area of domestic service is a good example. The strategy adopted by poor households in the past, in which women worked as domestics to supplement the head of household's income or to replace it in an unemployment crisis, is no longer a viable resource. But with the impoverishment of the middle class, the poor sectors have lost more than income. The interface between the two sectors has been curtailed and this has had repercussions in terms of the loss of social capital derived from work relationships. Second, the characteristics of the structural poor that previously were regarded as personal resources facilitating employment access have fallen into disuse, losing their value in a market that now demands other types of skills. Resources such as a trade, learning on the job, and manual dexterity no longer seem to be enough in a market that demands more and more, not only because of changing production methods, but also as a selection mechanism that places a premium on social and economic background. The interviews presented to us by the author of this study reflect a perception among respondents that other types of qualifications and skills are now required, which they themselves lack.

While this was the situation of poverty in the 1990s, the situation in the country today seems to be qualitatively different even relative to two years ago. Since the 2001 collapse of the existing model, new contingents of people have been descending into poverty every day. This is occurring

much more violently and with fewer resources than those at the disposal of the new poor who descended into poverty more gradually in past decades. This structural breakdown, however, has affected broad swaths of the population, including those who just a few years ago—and a few pages ago in this chapter—were described as winners.

FINAL REFLECTIONS

If a few years ago we were talking about a process of social fragmentation in Argentina, today it is a done deal. We have witnessed a structural mutation, some of the repercussions of which become clearer with every passing day, while others will take years to make themselves felt and still others may never surface in public opinion or research. One characteristic of these new times is the multiplicity of zones presenting varying degrees of self-regulation coupled with increasingly weak ties to a centralized social life. Every day there are more zones, neighborhoods, economic niches, social sectors, and institutions, at the top, among the middle sectors, and at the grassroots, in cities large and small and in rural areas, that are functioning under their own rules—with varying degrees of success—depending on the availability of different types of capital and sometimes, on sheer luck. Because of this, it may be that in this “new” Argentina, many of the categories we use to conceive of our society—including the category of the “new poverty”—are no longer sufficient to reflect on what has occurred.

Finally, the new poverty poses serious questions in terms of public policy, questions, which, even after more than a decade of impoverishment in Argentina, have not been translated into innovative policies. Clearly policymaking requires a large dose of creativity given that certain standard criteria, for example the traditional geographical targeting of settlements featuring high concentrations of poor residents, is not appropriate for a population scattered throughout the nooks and crannies of the city. We confess that those of us who have tracked this phenomenon for years feel a certain impotence because, even though this issue is well established on the public agenda and in common social awareness, it has not led to public policies targeting this population. While we are well aware of the growth in the harshest form of poverty, which also has not been adequately addressed in policymaking, our research of over a decade ago demonstrated that some of the remarkable deterioration in

household conditions was largely attributable to the lack of preventive public policies. While this deficit was not the root cause, it is obvious that a series of actions—and not necessarily very costly ones—would have enabled impoverished households to buffer the effects of the crisis and, most importantly, could have prevented the accumulation of needs that would later surface.

To cite some examples from our research in the mid-1990s, we could mention the lack of assistance for rent and expenses that led to evictions and repossession of property; the lack of resources to confront initially manageable debts that later become overwhelming; the inability to continue medical treatments with its lifelong effects, including the death of patients; children who leave school at a young age—ostensibly temporarily to help out at home—but never go back, all constitute a deficit in human capital that will never be recovered. At the same time, there was a breakdown in longstanding relationships. People's support networks evaporated just when they needed them most. In addition to the emotional impact associated with the impoverishment of social capital, isolation can also limit access to opportunities within social networks from which people are increasingly excluded.

Returning to the point made in the introduction to this paper: the Argentine experience is paradigmatic of similar processes that are taking place in one form or another throughout the region. It is my hope that other Latin American countries can learn from our mistakes in order to diminish the social suffering of broad swaths of the population.

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NOTES

- i. A 1960 study conducted in Greater Buenos Aires (home to one-third of the country's total population) shows that 36.5 percent of the workers' children interviewed had experienced upward mobility into the middle and upper classes in a single generation. Likewise, 77 percent of those interviewed whose parents belonged to the lowest occupational category—unskilled workers—had moved into the category of skilled workers or into middle class positions (Germani 1972).
- ii. The fieldwork for the doctoral dissertation was conducted between 1993 and 1995 in different Buenos Aires neighborhoods and suburbs and in three cities around the country: Santa Fe, Tucumán, and Presidencia Roque Saenz Peña in Chaco province. The research for the dissertation included 1) 73 semi-structured interviews with the new poor; 2) 20 interviews with key sources; 3) statistical data; and 4) an examination of press coverage of the new poverty. Other fieldwork was conducted in Greater Buenos Aires for subsequent studies.
- iii. While a single parent household or a single person is not necessarily poor, the prevailing hypothesis today is that “family breakdown contributes to the risk of exclusion, not only because of the impoverishment it can cause but fundamentally because of the attendant isolation, lack of social networks, support, and integration. Not belonging to a family network, a group of social relations and private solidarity is considered a risk: ‘the risk of social isolation’” (Martin 1995:172).
- iv. While the correlation between poverty and criminality is an essentially an issue important in the United States, it also emerges in some European countries, such as England.
- v. In 1984, a study published in Germany was in fact entitled “The New Poor” (“Die Neue Armut”) (Balsen, Nakielski, Roessel, and Winkel 1984). In 1979, a study was released on the process of pauperization in Italy (Carbonard 1979).
- vi. According to Levy and Michel (1986), after World War II, 27 years of significant growth in real wages were followed by 13 years during which wages remained static.
- vii. It goes on to say: “They once ‘had it made’ in American society, filling posts ranging from affluent blue-collar jobs to professional and managerial occupations. They have job skills, education, and decades of steady work experience. Many are, or were, homeowners. Their marriages were (at least initially) intact. As a group they savored the American dream. They found a place higher up on the ladder in this society and then, inexplicably, found their grip loosening and their status sliding” (1989: 21).
- viii. We found one of the earliest references to the new poverty in a 1992 report from the U.S. Agency for International Development (USAID 1992) which situates the new poor as one of the groups of poor together with the “extreme or ultra poor” and the “borderline poor.” This report regards the new poor as “the direct victims of the adjustment, for example, laid off government employees,

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- private sector employees affected by austerity measures or by changes in production methods. The new poor see their income fall, even reaching below the poverty line” (1992: 5).
- ix. Data and trends on the Chilean situation were taken from Wormald et al. (2002).
 - x. Data and trends on Mexico were taken from Rojas García (2002).
 - xi. Data and trends on the Uruguayan case were taken from Filgueira (2002) and Kessler (2002b).
 - xii. Reference is made to Schutz’s concept of “stock of knowledge.” Schutz asserts that “any interpretation of the world is based on a reserve of previous experiences, *whether our own or those that were transmitted to us by our parents or our teachers; these experiences, in the form of “available knowledge” function as frameworks of reference.*” (1987: 12). D. Cefai describes situations in which this reserve of experiences does not offer elements for interpreting new circumstances: “The problem arises when the actor does not know what to say, or what to do, cannot understand what is happening, cannot understand or reach agreement with others, fails in attempts to register an issue in the structures of belonging adopted up until that time ... He experiences the deficiency of his ‘prestructure of understanding:’ his field of interpretive and motivational foresight is inappropriate for defining and controlling the situation that he must face” (1994:112).
 - xiii. According to Pierre Bourdieu (1979), cultural capital exists in three forms, one of which is of interest to us here—as an incorporated state. In other words, the durable qualities within the organism in which aptitudes have to do with “*attitudes, inclinations to perceive, feel, do, and think, that are internalized by individuals based on their objective life conditions and that operate as unconscious principles for action, perception, and reflection*” (Accardo and Corcuff 1986: 229).
 - xiv. These questions refer to “social self-classification,” in other words, assignment of a particular social category such as “member of the ‘middle class’” or “poor.” Self-classification is an imaginary position in the social hierarchy, and a position vis-à-vis other social groups with which the individual shares the social world. For example, the category of middle class assumes and implies the coexistence of a lower and an upper class. Ultimately, a mutation in self-classification can change the vision of the social structure as a whole.
 - xv. Higher levels of crowding is one of the manifestations of poverty in formal settlements.

The Hound of Los Pinos and the Return of Oscar Lewis: Understanding Urban Poverty in Mexico

WILLIAM H. BEEZLEY

In 1982, in the critical stages of what Mexicans soon called “La Crisis,” President José López Portillo told the nation that he recognized the extreme economic difficulties created by the global collapse of oil prices, the domestic hardship of record inflation, and the wholesale flight of money abroad. Nevertheless he reassured the nation that, like a dog defending a bone, he would protect the peso against devaluation. Within weeks, he devalued the peso. Immediately Mexicans concocted and repeated jokes about the Hound of Los Pinos (the presidential residence in Mexico City) and wherever he appeared in public he was greeted with barking and howling to recall his broken promise. Other jokes reflected the transcultural character of Mexican society. For example, one joke alleged that the new pesos would carry the slogan “In Dog We Trust” (Lomnitz 2001). This episode of sarcastic humor aimed at a political leader was certainly not unusual in national politics,¹ but the economic crisis and its attendant poverty certainly was. It irrevocably changed things in Mexico from at least two vantage points: first, it ended the Mexican revolution; second, it made poverty more widespread, at the same time that it challenged old categories and defied old descriptions. Both of these conclusions require a discussion of historical events.

Discussion, investigation, and national policies about poverty, especially in the cities and most particularly in the capital, during the past century and quarter have passed through three stages: from 1876 to 1920, the era of the Porfirian regime and its revolutionary aftermath; 1920 to 1980, the era of revolutionary progress designed to eliminate

poverty; and 1980 to the present, the era of floundering over the nature and relief of poverty. Each of these will be described below, before explaining the conclusions.

LIBERALS OFFER JUÁREZ AS THE MODEL FOR THE POOR

During the years from 1876 to 1910, Porfirio Díaz devoted his regime to making Mexico a modern nation using the widely proclaimed model of economic development based on railroad construction and textile manufacturing (financed by government land giveaways, tax rebates, and foreign investment), exports (especially silver and, at the end of the period, oil), separation of church and state, and social improvement campaigns that redeemed criminals, acclaimed personal and property security (Falcón 2002), and celebrated individual opportunities and responsibility (Garner 2001). These attitudes and policies came in the ideological wrappings of Comtian positivism, proclaiming order and progress, and social Darwinism, defining the wealthy as fit and the poor as unfit. Porfirian leaders over three decades ignored rural poverty as long as the poor were quiescent and used force against those who were not. In the cities, the poor faced policies typical of western liberalism of the time that criminalized some forms of pauperism and offered private charity to those deemed the worthy poor. These were the acceptable needy, such as young mothers with small children, who were neither threatening in behavior nor disgusting in appearance.

Porfirio and his administrators at the national level and governors and mayors at the state and municipal levels intended to eliminate paupers in the cities, by criminalizing begging and other forms of living by one's wits in public and by defining this behavior as vagrancy and as a crime. These programs also relied on a set of racial attitudes that assigned behavior defined as shiftless, indolent, indecent, and promiscuous to the poor, especially indigenous peoples.ⁱⁱ

The Díaz government conveniently found it against the laws of nature to assist these people, making it out to be an individual responsibility to compete and survive. Therefore Díaz and his advisors promoted Benito Juárez, the Zapotec Indian from the sierra of Oaxaca state, who by his own efforts rose from poverty, obscurity, and ignorance to become a civilian president and national hero (Weeks 1987).

The regime was also determined to make it appear that its policies had redeemed the national population. Beggars were arrested, jailed, drafted

into the army, or confined in other institutions in the cities, and the working poor were required to appear modern through a series of dress codes. Typical of this effort were the municipal laws designed to replace old Mexico's (i.e. poor and rural) most ubiquitous and male symbol, the sombrero, with modern Mexico's (urban and elite) caps and hats. Other city ordinances required uniforms for certain occupations, such as the black and white vertically striped pants and shirts of newspaper vendors. This particular requirement was soon dropped as foreign travelers reported that prisoners wandered Mexico City selling the daily newspapers. As for the rural poor, the Porfirians determined not to allow them into the cities if they appeared as savages, noble or otherwise, so they enacted a series of municipal pants laws, requiring that all men within city limits wear European styled trousers. Those who did not own proper pants could rent them at the city limits. Workers in many of the new factories found that a hefty portion of their pay went for mandatory clothes and shoes (Beezley 2004).ⁱⁱⁱ

The issue of poverty and overall policy toward the poor could be described as out of sight and out of mind. It reached its apogee in September 1910, when the Porfirian regime celebrated the centennial of Mexican independence before an audience of guests from around the world. Prior to the arrival of these foreigners, the president's wife led a group of charities in providing clothing and shoes to the worthy poor, and then the police swept through the capital arresting or expelling those who appeared to be poor or Indian from the city. During the celebration, the government arranged for volunteers to dress as Indians (rather than use actual indigenous people) for the cavalcade that represented national history.

The combination of Porfirian policies based on the Darwinian ideological relegation of the poor to an unfortunate category of nature, destined soon to become extinct, and the scientific racist dismissal of indigenous peoples as representative of a lower stage of evolution helped cause the Mexican revolution. The poor who had lost their land and struggled to live on paltry wages paid in mines or factories, saw their activities (e.g. begging or corner vending) criminalized, became the revolutionary followers first of Francisco Madero, then later Venustiano Carranza, Álvaro Obregón, Pancho Villa, and Emiliano Zapata. The decade from 1910 to 1920, as the aftermath of the Porfirian regime, devastated the country in terms of population loss, economic disruption, widespread disease, and

endemic violence. The country lost between 500,000 and 2 million people as a result of revolutionary fighting, fleeing into exile, and epidemic diseases, especially the 1919 Spanish flu. The railroad system was in shambles at the end of the decade, many factories and mines were wrecked or closed, and foreign investment had been reduced to a trickle. Through this high cost, the revolutionaries won control of the regime, and redefined the responsibilities of the government to the general population, especially to the poor.

The Constitution of 1917 stated emphatically the intentions of the revolutionaries to grapple with poverty. The constitutional provisions represented a determination to assume responsibility for the social, physical, economic, and intellectual well-being of the Mexican people. Provisions called for land reform, worker rights and organization, mass public education, public health campaigns, and prevention of exploitative food and housing costs.

REVOLUTIONARY PROGRAMS

Revolutionaries, beginning in 1920, focused their government policies on social programs through establishment of enabling laws and practices to implement the provisions of the 1917 Constitution. In the process of trying to raise the living standards by improving education, income, health, housing, and nutrition, the revolutionary presidents and their advisors identified the *mestizo* as the standard for the population. The *mestizo*, defined primarily as the cultural, if not the biological, result of the merging of Indian and European (especially Spanish) heritages, offered officials a way to formulate their programs, and define poverty. Of course, there is much that might be said about this decision to ennoble the *mestizo*, and the way it excluded some ethnic groups, such as Afro-Mexicans, and homogenized others, such as indigenous peoples. Nevertheless, the focus here is on the way it created a definition of poverty and then formulated policies to confront it. Here, one can conclude that as high-minded and sincere as the revolutionary leaders were in the formulation of their goals, in the measurement of poverty, and the implementation of ameliorative policies, their program became one to alleviate, not to eliminate it.

Certainly programs of agrarian reform, public education, workers' rights, general health, and reasonable prices for food and housing attempted to improve basic conditions that resulted in an impoverished

people. The revolutionaries also identified superstitious beliefs, alcoholism, and the early age at which Mexicans began having children as major causes of poverty. In 1926, Minister of Education José Manuel Puig Casauranc described these factors as the baleful trinity of fanaticism, alcoholism, and premature sexual unions (Urías Horcasitas 2000: 101–126). The revolutionaries then proceeded to identify these conditions as the result of policies promoted by the Roman Catholic Church. The goal of separation of church and state became a more general anti-clerical campaign, which resulted in two episodes of civil war, the Cristero Rebellion, 1926 to 1929, and the second Cristiada uprising of the early 1930s (Meyer 1973). In the process, the revolutionaries held that it was the indigenous population that was most susceptible and most vulnerable to these religious teachings.

Of course the indigenous population was the target of a number of reforms designed to fold it into the more general *mestizo* population, the favored people of the revolution. Thus, conscious or unconsciously, the revolution adopted as its working definition of poverty characteristics largely associated with indigenous peoples and embedded them into the census as measurements of efforts to improve life in the country.

National leaders did not bring these census measures together but approached them piecemeal until 1940, when the new census categories and the formulation of other new budget registries reflected the desire to access social change and the influence of the United States.^{iv} In the 1960s, a U.S. scholar did make these census categories explicit as a representation of the regime's program to address poverty. James Wilkie in his classic monograph, *The Mexican Revolution: Federal Expenditure and Social Change*, identified what he called a poverty index as a composite of those census categories established first in 1921 and then carried forward in the decennial census. This composite was composed of seven principal categories: 1) those who only spoke an indigenous language, not Spanish; 2) those who were illiterate; 3) those who lived in pueblos of less than 2,500 population; 4) those who regularly went barefooted; 5) those who regularly wore sandals not shoes; 6) those who regularly ate tortillas, not wheat bread; and 7) those without sewage disposal. Later, government officials added an additional category on diet, especially the occasionally eating of meat. A good deal could be discussed about these categories, but they did provide government officials and Wilkie a way to look at anti-poverty programs, often

in conjunction with agrarian reform and population indicators such as birth and death rates, especially of children under one year of age. Nevertheless, most significant in this categorization the definition of poverty and of indigenous people became nearly synonymous, so that eliminating Indian cultural practices in these terms eliminated poverty.

Wilkie, in a masterful analysis, evaluated presidential budgets and actual spending practices in three broad areas—administration, economic policies, and social programs—and then demonstrated the direct impact of these spending campaigns on the reduction of this poverty index. This analysis examined the reduction at the national level, then broke down spending, and spending and poverty index changes at the regional and state level (a student of Wilkie's later took the program to the municipal level of analysis) (Wilkie 1968: 246–275). The conclusions of this study were both striking and commonplace.

The results of Wilkie's analysis showed that the greatest reduction of the poverty index took place in the Federal District, followed by the northern states. Moreover, he demonstrated that the timing of these changes came largely after 1940. The regime of Adolfo López Mateos, 1958 to 1964, achieved the greatest balance among administrative, economic, and social expenditures and it also did more to improve life for the poor—for example, through land distribution—than any previous regime (Wilkie 1968: 159, 237). The scholarly community has largely ignored this conclusion and has preferred to think of the revolution only in ideological not programmatic terms, and has declared it dead by 1940, perhaps even earlier. The commonplace conclusions of the study reported that the least successful efforts at alleviating poverty occurred in the three southern states of Guerrero, Oaxaca, and Chiapas, the three states with the largest percentages of indigenous peoples. Scholars and policymakers responded to this conclusion with a resounding, “of course!” While this study had little impact on the discussion of the revolution and its successes, it did affect revolutionary leaders, who took a number of spending areas out of the budget so that Wilkie's study cannot be revised for the years after 1972. This action deliberately made presidential programs, as expressed through spending policies, nearly invisible (Wilkie 2003).

A much more popular and widely discussed approach to Mexican poverty came in the early 1950s, first popularized with a movie and then an academic volume on the capital city (Villarreal). These works recog-

nized that urbanization had had and was having an overwhelming effect on the traditional, that is, the established way of life. These two seminal works were the Luis Buñuel's film *Los Olvidados* (1950) and Oscar Lewis's *Five Families* (1959), followed shortly by the more popular and influential, *The Children of Sánchez* (1961). The starting point for both Buñuel and Lewis was that urbanization was the fundamental factor in the creation of poverty, and that poverty, among other things, resulted in abandoned children who turned to juvenile delinquency in the film and in the forging of what Lewis named in his books a culture of poverty.

Lewis concluded that the poor developed a full range of strategies for coping with their circumstances, both in the countryside and especially in the city where wage inequities, social disparities, and inequitable access to public health, education, and other social services were starkly apparent. Moreover, he hypothesized that these responses when taken together represented a separate, related culture, identified in an inventory of personality traits (ultimately this included some 70 often contradictory psychological characteristics), which could be transferred from generation to generation through the family. This is, in an abbreviated description, the culture of poverty.

This explanation of poverty also reflected a shift in the context in which the poor were considered. For a variety of reasons—general affluence of the immediate post-World War II era, the rise of the behavioral sciences, renewed emphasis on the nuclear family, the effects of the GI bill, and the emphasis on poverty as an international issue in the Cold War—those in the United States who were explaining poverty and developing programs to end it shifted from an analysis of the community to an analysis of families and individuals (Aceves Lozano 1994). Using diagnostic tests, they explained the differences in social class, for example, not as a result of cultural experiences but of personality traits. This emphasis reflected the international politics of the era, the rivalry of the Cold War in which both the Soviet Union and the United States appealed to the underdeveloped nations of Asia, Africa, and Latin America. The culture of poverty offered an explanation of underdevelopment that required outside advisors and assistance to break the generations of customary behavior that doomed families to be poor. This theory also had general applicability because it did not rest on race, ethnicity, nationalism, genetics to explain why people remained locked in poverty.

Lewis, testing his theory, undertook investigations not only in Mexico, but also in Havana and with Puerto Ricans living in San Juan and in New York City.^v Each study resulted in best selling books. The three-volume study of Cuba was completed by his wife, Ruth, following his death.^{vi} His hypothesis and his methodology using life studies of families became overwhelmingly popular with scholars, policy makers, and the general public. *The Children of Sánchez* sold extremely well in the United States, Great Britain, and, in translation, in Western Europe. Its success continued unimpeded until the book was translated into Spanish in Mexico, where it became a *cause célèbre* and notably the Mexican Society of Geography and Statistics called on the Attorney General to initiate legal proceedings against Lewis for defaming the nation and attempted to have him barred for life from Mexico. Newspaper articles, scholarly reviews, and even a vengeful pastiche, called *Los hijos de Jones* (*The Children of Jones*), derided him.^{vii}

Despite all the popular and angry responses in Mexico, Lewis had a crucial point that got lost in the discussion. The prevailing social science explanations for poverty, based on the Chicago school of urban studies, stressed that urbanization resulted in the social breakdown of cultural practices, which in turn resulted in crime, alienation, and family disruption. However, as individuals worked, and “worked” is the word here, their way up the social ladder they re-established new socially acceptable habits and associations (O’Connor 2001: 45–54).^{viii} Poverty was almost an inevitable step in the social evolution of a society as it became urban. Lewis argued early on in his Mexico City investigations that he found a pattern of “urbanization without breakdown.” For example, he learned that villagers from the pueblo of Tepoztlán migrated together, maintained social arrangements from their village, connections with their family and friends who remained in the village, and assisted those who came later, at least through the first generation (Lewis 1952).

The approaches of Wilkie and Lewis will be further addressed in the conclusion of this chapter. Suffice it to say that the most relevant and most constant social force during the revolutionary era, 1920 to 1980, was urbanization. This migration to the cities, especially the capital, began in earnest during the first decade of the 20th century and still continues. This pattern consists of individuals and families acting to improve their lives by moving to the city. Urbanization, after World War II, inspired

new efforts to understand persistent poverty in the United States, and elsewhere in the world. Special concern focused on teenagers, especially as juvenile delinquents, and the effects of urban growth on families. This theme became the subject for analysis by anthropologists, government agents, popular musicians, and artists.

The revolutionary episode of 60 years in which the government expressed a commitment to improving public health, primary education, and regulating living costs through expanded social services, compulsory schooling with free books, and food and housing agencies established behavioral patterns that individual poor Mexicans learned to use to obtain jobs, or if not work, at least to survive in the city. One example would be the exchange of a regular *mordida* for the help of a Partido Revolucionario Institucional (PRI) bureaucrat in securing assistance to maintain an unlicensed street shop or kitchen. These patterns worked until the crisis of 1982, despite periodic efforts to change or eliminate them.

MÉXICO PROFUNDO IN DOWNTOWN BABEL

The era of the crisis had a devastating effect on Mexican society. From 1983 to 1988, the income of individuals fell at a rate of five percent each year; the value of workers' wages plummeted between 40 and 50 percent; the rate of inflation, which had oscillated between three and four percent in the 1960s and had risen above 10 percent after 1976, surpassed 100 percent in several years during the 1980s. At the same time, government spending on public goods declined as a result of the government's fiscal policy and changes in the national economy, especially the international petroleum market. Meanwhile, the administration, tied to oil exports, continue to borrow and soon had a foreign debt of \$80 billion (Lustig 1998). As a result, the social patterns of the poor, in fact Mexicans in general, changed. President López Portillo, facing what he called in his sixth annual report "the last chance" of the revolution, had earlier abandoned the revolutionary constitutional effort to ensure access to daily needs including food and clothing at reasonable prices, when his administration ended price controls on 100 consumer goods. Ordinary people in this swirl of hyperinflation, declining purchasing power, and rising costs could no longer look to the national government for assistance as the value of oil, the base of the national economy, crashed.^{ix}

It is in this sense, as a way of life for individual Mexicans, that the revolution ended in the crisis of the 1980s. Saving money, for example, simply no longer made sense and trust in officials left one feeling betrayed or foolish or both. The peso's value eroded so completely and quickly that Mexicans had to spend their money immediately to prevent its value from disappearing. Moreover, as the crisis of daily life deepened, normal patterns of planning and wishing for the future deteriorated, partly in response to increase in crime. For example, the desire to own a car seemed senseless if its purchase only offered a target to thieves. This attitude toward other goods, even on the more basic level of household appliances, shattered convictions about work, saving, and consumption (Lomnitz 2003: 132).

Increasingly local neighborhood groups began trying to solve the problems of daily life, confronting housing evictions, hunger, and the need for utilities such as potable water and electricity, without resorting to the old patterns of behavior. They no longer turned to PRI officials to condone or eventually to regularize the solutions they used. Community kitchens, confrontations with landlords, and illegal tapping of electricity (actually a longtime practice) and other utilities became new survival strategies. These improvisational actions were hardened into behavioral practices in the capital city following the earthquake of 1985, when community groups responded to the disaster. One result was the popular creation of Super Barrio, a masked super hero who blocked housing evictions, confronted the bureaucrats and demanded help for the poor, and even traveled to Los Angeles, California to lobby the city council on behalf of Mexican workers. In the garish red and yellow uniform of a professional wrestler and superhero's cape, he became the metonym for all the community groups in the city (Poniatowska 1995). However, resorting to new patterns of grappling with poverty has not abated the rush to the cities, urbanization continues apace, but additional national developments have altered the landscape for the poor and those who want to improve their conditions.

The confounding problem for those attempting to eliminate poverty in Mexico is that "indigenous is synonymous with poor" at the moment of rising indigenous political consciousness. One fundamental change began with the 1975 First Congress of Indigenous Peoples in Patzcuaro, which underlined the growing tendency to see ethnicity as an organizing prin-

ciple. This turn to ethnicity as the basis for political organization reached a crescendo in 1994 with the revolt of the National Zapatista Liberation Army in Chiapas and remains in force today. These latter-day Zapatistas compelled the government to recognize ethnic identity as a political force in the San Andrés Agreements, the adoption of new local municipal administrations based on uses and customs, and the revision of the constitution that defines Mexicans as pluricultural people with an indigenous base. The result is that with ethnicity, which here means indigenous identification, the nature of discussions and policies to relieve and eliminate poverty must be changed. This will be extremely difficult.

The current situation, according to recent measurements based on the 1998 National Institute of Statistics, Geography, and Data Processing poll, determined that the national level of poverty was at 58 percent, that is some 58 million poor people, of which 36 million live in urban areas.

The 2000 National Urban Employment Survey, reporting data for 1994 to 1998, provided evidence for what observers had already concluded about the nation's cities: extreme poverty had increased (from 13.1 to 19 million)^x because unemployment and less than minimum wage jobs had increased (10.6 to 19 percent of the urban population). The analysts who wrote the World Bank's *Evaluation of Poverty in Mexico* reached several conclusions, including the following: that violence has reached unacceptable levels in poor neighborhoods, and that households headed by women are the poorest. The report also makes it clear that indigenous children fall into the poverty category because of the scarcity of access to education and other social services. Moreover, information from other World Bank reports (Giugale et al. 2001) support the conclusion that movement to the nation's cities has not resulted in assimilation. Indigenous people continue to identify themselves as indigenous peoples.

The Mexican government recently has attempted to meet the challenge created by the increasing poverty in the cities. The administration established the Urban Improvement Project of Mexico's Federal District in the nation's capital. The information collected by this agency shows that representatives of nearly every indigenous group in the nation, 49 different indigenous groups, live in the metropolitan area of the capital city. Most striking, at least one of every twenty residents in Mexico City identifies as an indigenous individual. Preliminary results from the 1995 census from the National Institute of Statistics, Geography, and Data

Processing reports that of the 16 *delegaciones*—or administrative units—that make up the Federal District, the largest number of indigenous migrants live in Iztapalapa, G.A. Madero, Cuauhtémoc, Tlalnepantla, Coyoacán, and Álvaro Obregón, and over 20 indigenous languages are spoken in each of the *delegaciones*. Not only do these urban migrants live together and continue to speak their indigenous languages, they continue their traditional work, especially the production and sale of handicrafts. These indigenous migrants form part of what Guillermo Bonfil calls the real Mexico, *Mexico profundo*, in the heart of the capital. Clearly, the persistence of indigenous artesanry, social and self-help organizations, and use of a multiplicity of indigenous languages creates a situation in which the Federal District becomes Babel.

ONE HAND ON THE ELEPHANT

Studies of the poor and poverty for the most part can be described as a blind man with one hand on the elephant. The enhanced sense of touch possessed by the blind will provide an excellent description of one small portion of the pachyderm, but will not describe the beast. New insightful and useful studies of urban poverty need to include the following five characteristics: 1) historical perspective; 2) focus on Mexico's political economy rather than its poor or poverty;^{xi} 3) recognition of the double sense of "Mí Barrio." That is to say, the community in the greater urban setting and extending to sending communities in the countryside and to the guest workers in the United States, or increasingly in Europe; 4) popular culture as a surrogate voice for the poor; and, 5) ethnicity cannot serve as a synonym for social status, nor can ethnicity be regarded as an objective or non-political category. These five essential factors require discussion.

Historical perspective will keep each new group of experts and scholars who study the poor from reinventing the wheel. Particularly in Mexico, this is essential to understand the revolutionary legacy—in both its largely positive, but also its negative senses.

Focusing on the poor or on poverty results in the debilitating conclusions with which we are all too familiar. This especially results in such trivializations as most discussions of the culture of poverty, transgenerational transmission, and rational choice political science conclusions. The poor need to be placed within the matrix of Mexican national politics and society. One might say they must be considered within the three-dimensional

array of ethnicity, class, and gender. These characteristics can be overridden by the city's greater provision of jobs, health care, education, and serendipitous chances, which taken together constitute opportunity.

Studies must focus on the community not the individual, but Mexico City with a population of approximately 20 million is much too large for such a study. It has 16 *delegaciones*, which each have over a million people. These *colonias*, or neighborhoods, offer the logical frame of reference for study within the urban landscape. While calling here for a smaller focus within the city, it is essential to recognize the increasingly stronger communities—if we mean by that the extended family, close friends, and trusted neighbors—that reach back to the countryside and across borders, especially to the United States, Canada, and with growing frequency Western Europe. This is the socio-economic system in which the poor live. We should note that Mexican politicians of all three major parties have been examining how to make this transborder socio-economic system a political one as well (MacLachlan and Beezley 2004: 488).

Popular cultural forms often serve as the surrogate voice of the poor. The popular media—television, radio, recordings, movies, and comic books—present characteristics of the poor or outdated stereotypes of them, but in both cases we should recognize that we receive exaggerated stylized images, not wrong ones. We receive the voice of the poor and hear their concerns, issues, and hopes in popular music. There are the popular songs of protest and defiance, such as those described by the cartoonist Rius. For example, José de Molina wrote “Las Elecciones,” a song that sarcastically describes the PRI election procedures and criticizes the voting system (del Río 1973). Other songs provide more subtle criticism of the social, political, and economic structure of the nation. One example that will suffice is Salvador Flores Rivera. Chava Flores, known as the chronicler of his neighborhood, wrote and recorded songs that exuded sarcasm, street smarts, political criticism, hope, frustration, and irony (Flores Rivera 2001). Examples of his songs about the city include: “Voy en el Metro,” about the new subway, which describes a cheap transport system not meant for the poor (Flores Rivera 2001: 359). “Vino la Reforma,” parodies the PRI reforms and their hypocritical morality as an analog to urban renewal including the attendant expansion of Reforma boulevard with lyrics that poke fun at the efforts to put a breech cloth on the statue of Diana (Flores Rivera 2001: 355). “No es justo” laughs at the

urban beautification program of Mayor Ernesto P. Uruchurtu (Flores Rivera 2001: 369).^{xii} Perhaps the best known song, “Sábado Distrito Federal,” describes the poor preparing to pay for their needs and meager pleasures by pawning dishpans and other domestic goods, the traffic problems, the anthill-like crowds, workers in the bars drinking up their wages, bureaucrats with short work days, and so on (Flores Rivera 2001: 323).

While looking to popular culture for the voices of the poor, analysts should not neglect the work of artists, especially of the New Realism school of the mid-20th century. Many of these artists took the city, with its grinding poverty, as their subject. For example, Antonio Berni, Argentina’s best-known painter of the 20th century, looked to the burgeoning poor suburbs of Buenos Aires for subjects. He did paintings, really collages, using the debris of the city as his materials. One entire series focused on a youngster in a poor neighborhood, who became known throughout the nation. Juanito Laguna personified the children of the shantytown suburbs of the capital. These paintings followed his life, its tribulations and triumphs like episodes of a *radionovela*.

Finally, we must recognize that the elimination of poverty cannot be the same as the elimination of indigenous cultures. To understand this we could resurrect the work of Lewis, particularly “Urbanization without Breakdown” (1952). As easy as this sounds, separating indigenous cultural traits from the characteristics of poverty is indeed difficult. One cannot simply turn to an index of income level or even a register of employment as the dividing line between the poor and the non-poor, because the formal economy does not measure the many ways people work, make money, obtain goods and services, and develop strategies to survive. At least three other, somewhat parallel economies exist. These are well known, if difficult to measure and assess, and in some cases difficult to modify. These are the incredibly diverse informal economy, the narco-economy of illegal drugs, and the transnational economy of guest workers, remittances, and foreign-purchased consumer goods for home use or resale. At present, indigenous identification remains a political, economic, and social force in Mexico, but it may become difficult to maintain. The experience of the internationally famous craftspeople and merchants from Otavalo, Ecuador may be a harbinger. The Otavaleños have discovered it has become increasingly expensive to wear traditional clothing compared to the widely available cheap t-shirts and tennis shoes. Moreover, demand

for their goods has resulted in small-scale factories that use *mestizo* workers to produce their traditional handcrafts. These are conditions that Zapotecs, Mixtecs, Triquí, and other peoples in Mexico will face as well. Moreover, while it may be possible to maintain traditional languages in Mexico, even Mexico City, guest workers, especially if undocumented, will come under increasing pressure to develop functional proficiency, even literacy—not in Spanish but in English. Perhaps nothing can be stated with more certainty at this point than to say that understanding of the nature of poverty, using a definition that is not implicitly or explicitly based on indigenous cultural characteristics, is the necessary first step toward the alleviation and even elimination of poverty.

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NOTES

- i. For a discussion of presidential humor, see Beezley (1985), and the volume on presidential caricatures Naranjo (1998). Miguel Díaz Barriga (1994) discusses humor, popular culture, and modernization.
- ii. On general attitudes toward indigenous peoples, see Urías Horcasitas (2000: 61–100), Traffano (2001), and Santoyo (2001). On the criminalization of poverty, see Piccato (2001).
- iii. Clothing regulations are discussed more fully in Beezley (2004).
- iv. See the section “Lost Worlds: Alternative Measures that Were Dropped” in Niblo (1995). For a general introduction to the importance of numeracy, see Bernstein (1990).
- v. Lewis Giugale also carried out field work in India, Spain, Canada, and the United States.
- vi. For a discussion of Oscar Lewis’s career and Ruth Lewis’s contributions to these publications and theories, see Rigdon (1988).
- vii. This episode is fully discussed in Villarreal.
- viii. Robert Redfield (1930) described the social breakdown caused by urbanization. Lewis (1963) challenged Redfield’s analysis.
- ix. Of course all of these events became the subject of caustic humor, see Naranjo 1998: 29–71.
- x. The line of poverty in this study was established at the peso equivalent of \$48 dollars in urban areas and \$43 dollars in rural areas.
- xi. These first two suggestions follow those found in O’Connor (2001: 291–295).
- xii. For a discussion of this program, see Villarreal.

**FORMER SOVIET UNION AND
EASTERN EUROPE**

Welfare Capitalism After Communism: Labor Weakness and Post-Communist Social Policies

STEPHEN CROWLEY

In a discussion of poverty in post-communist societies, where might labor fit in? While the problems of labor markets and unemployment in the region have been much discussed, there has been much less examination of the impact of organized labor as a political force on welfare and social policies. The experience of Western Europe suggests a clear relationship between labor power and the rise of the welfare state. Historically, organized labor has played a central role in the development of welfare states and the model of “social Europe” that some claim makes (Western) European societies distinct. With a number of post-communist countries now members of the European Union (EU), the efforts to extend this “social model” to the east need to be examined critically. EU countries face the challenge of maintaining the integrity of this model while expanding into a number of new countries with a much different history and level of development. Central to that challenge, I will argue, is the strength of labor as a political force.

Labor in post-communist societies, it will be shown, is a very weak actor in comparative terms. This suggests potentially significant consequences for the size and shape of welfare states in those societies. At a minimum, post-communist societies may be developing a distinct model of “welfare capitalism,” combining weak labor institutions with communist-era legacies of relatively high social spending. Alternatively, the flexible labor regimes in these societies might have increasingly significant consequences for wage inequality and a declining ability of labor to act as a “veto point” to defend welfare regimes and social spending at the national level.

This chapter will proceed as follows. The first section will examine the impact of labor on the development of the welfare state, particularly in Europe. It will argue that the power of labor was central to the rise of the welfare state. While during the current era of retrenchment labor has been somewhat eclipsed by other actors, labor remains central to the determination of whether welfare states evolve in the direction of continental Europe or towards more liberal regimes.ⁱ The second section will examine the relative strength or weakness of labor in Eastern Europe, concluding that labor is indeed a significantly weak social and political actor. The third and final section will explore the implications of this weakness on the shape and trajectory of the post-communist welfare state.

THE EUROPEAN WELFARE STATE

What exactly do we mean by the welfare state? T. H. Marshall famously argued that the core idea of the welfare state is “social citizenship,” a concept that in the European tradition has come to mean the rights of citizens to certain social benefits and to an orderly industrial relations system (Marshall 1950; Esping-Andersen 1990; Crouch 1999). Others speak of the European “social model” as a set of institutions that makes European capitalism distinct. The elements in this model include the “vision of the European member states as ‘welfare states,’ the recognition of social rights and the role of social partners, the existence of public services and the social protection systems” (Andre 2002: 313). Several of these elements are enshrined in various EU charters.

The connection between labor and the European welfare state is quite clear. Many welfare state theorists have argued that welfare policy is determined by the capacity of different groups, not least labor, to mobilize power resources (Crouch 1999: 377; Huber, Ragin, and Stephens 1993). Others point out that the European model depends on strong unions (Ross and Martin 1999: 2). As Rothstein puts it, “One can say that, with few exceptions, the stronger is the organization of the working class, the more developed the welfare state” (1992).ⁱⁱ

The reasons for the centrality of labor to the welfare state are fairly clear. In his influential study of “welfare capitalism,” Esping-Andersen argues that the welfare state developed as a way for labor to escape some of the implications of capitalism (Esping-Andersen 1990). More specifically, workers seek the “decommodification” of labor, or to reduce the

extent to which “their survival is contingent upon the sale of their labor power” (Esping Andersen 1990: 21). Decommodification takes place to the degree a person can maintain a livelihood when not able to work. This is achieved if welfare provisions are rendered as a social right rather than being dependent on one’s position in the labor market.

Not surprisingly, labor’s attempt to achieve this status through the welfare state has long been contested, and historically the outcomes of these conflicts have led to three different models or “worlds” of the welfare state. The strength of labor, together with the presence of either liberal or traditional elites, determined whether societies evolved towards liberal, social democratic, or Christian democratic welfare states. For example, in liberal societies, where labor was weak, welfare provisions were limited and distributed on the basis of need. As both the working class and democratic institutions expanded in these countries, so did the welfare state, but with the more recent contraction of organized labor, the welfare state in these societies also contracted, in some cases considerably. In contrast, in social democratic societies, where liberal elites were more directly challenged by working class power, claims to welfare were based more on the rights of social citizenship. This notion of social citizenship meant that welfare provisions extended beyond its immediate proponents—organized labor—to groups like farmers, the self-employed, and middle-income non-manual workers (Crouch 1999).

However, the current era of austerity is a long way from the golden age of the European welfare state. While the power of organized labor was a central variable in explaining the rise and subsequent shape of the welfare state, many welfare state theorists now argue that other actors have become equally if not more important in determining the outcomes of struggles over welfare state reform. While this is no doubt true, labor remains a central actor in most analyses of welfare policy.

This is true for several reasons. First, just as the notions of social citizenship and decommodification were central to the rise of the welfare state, labor market policy remains by definition one of its central policy domains. While the bulk of social expenditures in most societies go to health care and pensions, labor market polices “are widely seen as a critical nexus for relationships between state and market” (Pierson 2001: 12). The impact of the welfare state on labor markets and the management of labor is quite clear: on the level of the firm, it shapes how workers are

hired and fired, trained, and employed. It also influences workers' willingness to strike and their ability to organize successfully (Pierson 2001: 5). There is a recursive nature between the power of labor and the welfare state: from a position of strength, labor is not only able to help uphold the welfare state, but it is able to do so in a way that sustains the power of labor as a social actor. Conversely, where labor is weaker, it is not only less capable of preventing the retraction of the welfare state, but labor becomes weakened in the process, making further retrenchment more likely.

Still, many recent studies have shifted the focus from labor to employers as the primary determinant of welfare state strength and stability, since there is a "growing recognition that employer interests and power were of central importance" to both the welfare state and industrial relations generally (Pierson 2001). For instance, in the debate on the "varieties of capitalism," a defining difference between "liberal" and "coordinated" models is the stance of employers, with employer organizations playing a much more limited role in countries where the liberal model is dominant (Thelen 2001). On the other hand, "the extent to which employers in the more organized market economies have shown limited enthusiasm for liberalization" has been striking (Pierson 2001: 12). Thus both employers and unions play a critical role in welfare state politics, and the power of these groups varies greatly across countries (Pierson 2001: 4).

Employers and unions in most European countries influence the welfare state most directly through corporatist institutions. In the postwar era, corporatist bargaining was the mechanism for maintaining policies of full employment, which unions accepted in exchange for wage restraint. This process of "social dialogue" remains a central part of the European Union's identity, and is encouraged by the Maastricht social protocol (Ross and Martin 1999: 371; Andre 2002: 318). While in many cases these bargains have become seriously frayed in an era of high unemployment, by a number of accounts corporatist negotiations still remain crucial both for bargaining over wages and over social welfare policies generally. Indeed, the two major arenas for changing welfare policy are electoral politics and "interest intermediation" (Pierson 2001). Here again, we find a contrast between liberal and more coordinated economies. In liberal societies "systems of interest intermediation are fragmented and disorganized" so the electoral arena becomes dominant (Pierson 2001: 7). In the more coordinated economies key economic interests are better organized, and "cor-

poratist or quasi-corporatist policy making complements or even supplants the role played by electoral or partisan politics,” with both employers and unions in these societies typically aiming to adjust rather than dismantle welfare provisions (Pierson 2001: 7, 12).

What then might explain why employers are better organized in some societies than in others? Once again, I would argue, the central variable is the power of labor; however, labor’s current status is less than important than its power during crucial historical periods. In his study of “industrial relations and European state traditions” Crouch underscores that while labor peace coincided with strong corporatist systems in the postwar era, corporatist institutions evolved historically as a response to high levels of labor unrest in Scandinavia and elsewhere. “As conflict became significant, employers and governments sought to construct institutions that might contain it; elsewhere, workers ability to disrupt was too sporadic for employers to bother” (Crouch 1993: 99). More generally, “employers need to engage in a bargaining exchange beyond simple contract only when labor has developed effective power” (Crouch 1993: 56, 62–63).

Not only do employers not need to bargain with labor, theoretically employers have little need to organize themselves unless until labor is powerful enough to compel them to do so (Offe and Wiesenthal 1980). Historically this has been the case, as employers organized themselves only once labor had done so (Crouch 1993: 114–115; 334–335).ⁱⁱⁱ

Thus, where labor was strong at key historical moments it succeeded in achieving the decommodification of labor through the welfare state, and in compelling employers to organize and to seek the institutional means to negotiate a class compromise. Moreover, in path dependent fashion, even when organized labor in these societies becomes less powerful and less central to the running of increasingly postindustrial economies, employer organizations, corporatist mechanisms and the institutions of the welfare states themselves become important interests in maintaining many existing welfare provisions. These provisions in turn insulate labor—not entirely but to a meaningful degree—from a further weakening of its relative power.

In contrast, in more liberal societies, where labor was weaker, the welfare state was historically more limited in scope and, somewhat ironically, more dependent on the power of organized labor relative to other groups and institutions. This was because labor was never powerful

enough to compel employers to organize to a significant degree or to spur the development of significant corporatist institutions. Since these additional veto points failed to develop, as the power of organized labor has declined, for example in the United States and the United Kingdom, attempts to significantly scale back the welfare state have met with limited resistance.^{iv} In both these countries, pre-tax income inequalities have grown significantly in recent years while the power of organized labor has dramatically declined. “In these two countries therefore an increase in market-driven inequalities has been exacerbated by a decline in the impact of institutions designed to offset the impact of such inequalities,” with a clear influence on levels of poverty (Crouch 1999: 378). While in other affluent democracies, the focus on welfare state politics has been toward “the renegotiation and restructuring of the terms of the postwar social contract rather than its dismantling,” only in liberal societies has the focus been on the “recommodification” of labor and welfare state retrenchment (Pierson 2001: 14).

Whatever their impact on the welfare state, many economists would argue that strong unions have a negative impact on labor markets and economic growth. “Unions do often act as monopolists, improving wages and working conditions for their members at the expense of capital holders, consumers and nonunion labor.” However, others contend that rather than acting as monopolists at the expense of nonunion labor, unions often act as “an important voice for some of society’s weakest and most vulnerable groups.” In the political sphere, even in the United States where unions are relatively weak, “unions are viewed as representing the general working population, devoting much political muscle to promoting legislation that would be of not more material gain to unionized workers than to other workers” (Freeman and Medoff 1984: 5, 18).

The reason that unions might expend their limited resources protecting nonunion as well as union members is fairly clear. Just as workers seek to “decommodify” their labor power, they also seek to take wages out of competition. Thus, in contrast to the monopolist argument, outside of highly protected sectors, which are rapidly diminishing in most societies, workers have little incentive to establish too high a “union wage premium”; rather, they have a strong incentive to seek the increase in wages of those workers with whom they might compete. Hence it should not be surprising that strong unions are associated with lower levels of wage inequality (Freeman

and Medoff 1984; Ross and Martin 1999). Indeed, one recent study finds that “union density emerges as the single most important factor influencing wage inequality” (Rueda and Pontusson 2000).

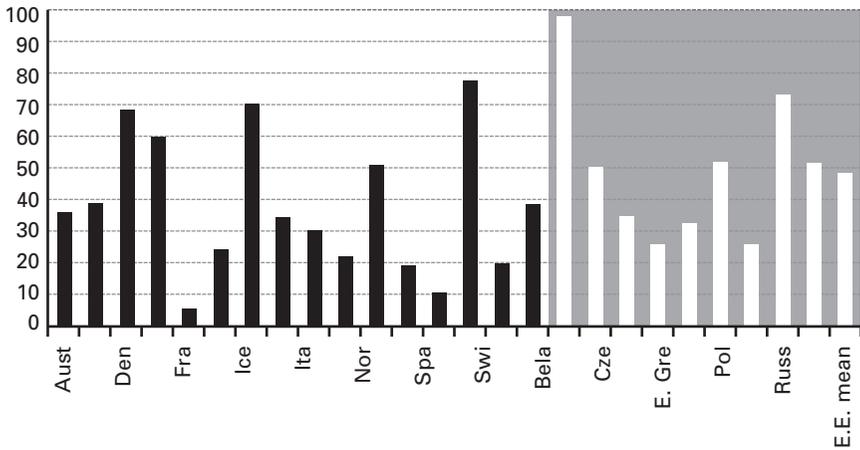
Beyond influencing overall wage inequality, unions also have a clear impact on the extent of the gender wage gap. A series of studies have reached two main findings: that collective bargaining reduces the level of total wage dispersion, and that “the general wage dispersion has a quantitatively big impact on the gender wage gap.” Union density also lowers the wage gap (Barth, Roed, and Torp 2002). Reducing the gender pay gap can in turn reduce the level of poverty, including child poverty, and increase pensions for women (International Confederation of Free Trade Unions 2003).

LABOR WEAKNESS IN POST-COMMUNIST SOCIETIES

Given the centrality of labor power to the rise and continued shape of social policies in advanced industrial economies, we must ask about the relative position of labor in post-communist countries. Is labor in these societies a strong or weak social actor? And are institutions of labor relations closer to the model of “social Europe” or more like those in liberal societies?

How would we know if labor in a given society is weak or strong?²⁷ One simple measure of labor’s strength is the rate of union membership or density. Other things being equal, one would expect that higher union density would indicate a stronger labor movement (Golden, Wallerstein, and Lange 1999). Since union membership was nearly compulsory in many communist societies, membership rates have dropped considerably, but by some accounts are now converging with Western European levels. In a recent World Bank publication Riboud and colleagues cite average union density figures for EU accession countries that are above the averages for EU and Organization for Economic Cooperation and Development (OECD) countries (and the accession countries do not include more highly unionized countries of the former Soviet Union like Russia and Ukraine) (Riboud, Sanchez-Paramo, and Silva-Jauregui 2002). Likewise, Thirkell, Petkov, and Vickerstaff argue that regarding post-communist “levels of unionization, it comes closer to the standards of the Scandinavian and north European countries” (1998: 86).

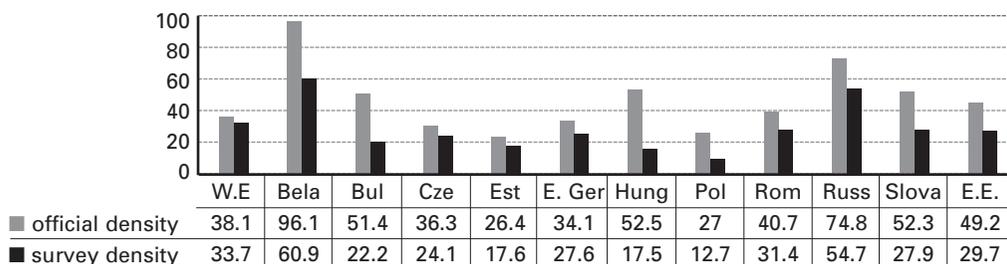
These and similar conclusions are largely based on International Labor Organization (ILO) data, which are shown in figure 1. According to these

Figure 1. Union Density, Official Data

figures, unionization rates are still higher in post-communist countries than in Western Europe: as of 1995, average union density for these Western European countries was 38 percent; for post-communist Europe average density was 49 percent.

Yet the argument for convergence in union density relies on questionable data. The ILO figures largely rely on membership figures reported by trade union federations themselves. Survey results suggest these figures are inflated: for Western Europe, using survey data union density drops from 38.1 percent to 33.7 percent (see Figure 2), a significant if modest decrease. However, according to survey data the density rates for post-communist countries not only drop, they drop precipitously—from 49.2 percent for the self-reported figures to 29.7 percent according to survey results (Ingelhart et al. 2000; Howard 2002).^{vi} This is close to a 20 percent differential between the official and the survey results.

Moreover, as we will discuss below, since trends in union membership do not bode well for labor, the density rates have almost certainly declined further since these surveys were completed in 1995–1997. And yet, despite starting from much higher union membership rates, within a few years post-communist societies were already at lower average density rates than their Western European counterparts. Rather than converging to Western European norms, post-communist countries have overshot the mark, and appear headed towards Anglo-American levels of union density.

Figure 2. Union Density, Official and Survey Data

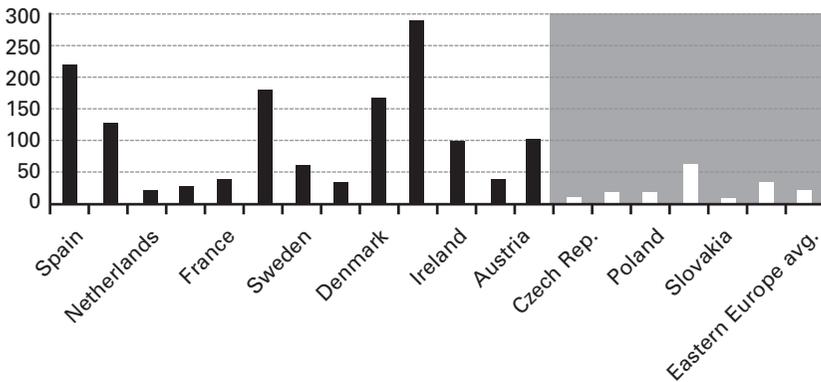
Union density, while important, is however an imperfect indicator of labor strength. In Western Europe, the best explanation for high levels of union density in certain countries is the ghent system of unemployment insurance, which are controlled by unions and provide a strong selective incentive for union membership (Rothstein 1992). On the other hand, coverage laws mean that in some countries collective bargaining agreements extend far beyond union members, as is the case in France. Hence collective bargaining coverage rates and the strength and level of collective bargaining agreements are another crucial indication of labor strength or weakness. Other things being equal, “substantial declines in union coverage would indicate an erosion of the ability of trade unions to influence wage levels” (Golden, Wallerstein, and Lange 1999: 202).

Collective agreements were virtually compulsory if fairly meaningless in the communist period. Yet, according to the ILO, by 1995 the percentage of employees covered by such agreements had declined to 55 percent in the Czech Republic and 45 percent in Hungary. The comparable figure for available Western European countries was 75 percent. More recent figures find that the collective bargaining coverage rates for those Eastern European countries with available data is 44 percent on average (or 33 percent if one excludes the outlier Slovenia) (Lado 2002).^{vii} The Riboud study provides different figures, reporting that the percentage of salaried workers covered by collective agreements was over 70 percent in Hungary, Poland, Slovakia, and Slovenia, while between 25 percent and 70 percent in Estonia and 30 percent in the Czech Republic (Riboud, Sanchez-Paramo, and Silva-Jauregui 2002: 256; Appendix C). This would place these EU applicants closer to the Western European norm.

However, the various attempts to quantify coverage rates appear misleading when the content of collective bargaining in post-communist societies is probed more closely. Riboud, Sanchez-Paramo, and Silva-Jauregui point out that the level of collective bargaining coverage in East Central Europe “does not translate into high union bargaining power due to low coordination among unions. In fact, most wage bargaining takes place at the industry or firm level, and, in practice, in the private sector wages are set by employers” (2002: 256; Appendix C).^{viii}

Indeed, as of 1997, a report on collective bargaining in the Czech Republic found that “recent studies have shown little resistance to individualized employment contracts and pay systems. In fact, union chairs interviewed as part of a recent survey expressed surprise at being asked if the union was involved in individual pay determination” (European Industrial Relations Observatory On-line).^{ix} While the Czech case may appear to be exceptional given the lower coverage rates cited above, a recent study by Laszlo Neumann of collective bargaining in Hungary suggest this is not the case. He found that agreements cover 51 percent of Hungarian employees in the private sector (Neumann 2002: 11–31). Yet when these agreements were investigated further, it was discovered that 80 percent of the agreements were at the company level, roughly opposite of the experience of continental Western Europe (where most agreements are still made at the sectoral if not the central level) (OECD 1994: 175). Moreover, in Hungary “many company agreements are far from being real negotiated agreements, but are either defined unilaterally by employers or, following state socialist traditions, simply repeat the law” (Neumann 2002: 12). Further still, in 37 percent of Hungarian collective agreements, there is no stipulation for wages. Since this would appear to make the Hungarian collective bargaining system more like the U.S. model than that of most other advanced capitalist economies, Neumann follows the practice of American industrial relations studies and examines the union wage gap, or the wage premium that, after controlling for sector and occupation, unionized workers receive over their non-unionized counterparts. In the United States the wage gap is typically somewhere between five to 25 percent. In Hungary, the gap is a mere three to five percent, suggesting that, on the issue of collective bargaining, even when the point of comparison is the United States, Hungarian unions do not fare well.

Figure 3. Strike rates, days not worked per thousand workers, Western Europe and Eastern Europe



To get some sense of why collective bargaining appears to be so weak in the region, we might look at another indicator of union strength, namely strike activity. As Martin and Ross argue, “the classic incentive bringing employers to the bargaining table is the capacity of unions to disrupt and regulate production by mobilizing their members to strike” (Ross and Martin 1999: 341). Intuitively at least, there are a number of reasons to expect significant labor mobilization following the collapse of communism: the collapse itself was spurred by labor movements, most obviously Poland’s Solidarity, and the region now experienced unprecedented political freedoms, combined with painful economic reforms that led, for a time at least, to economic depression and significant drops in living standards.

A good indicator for making cross-national comparisons of strike statistics is relative volume, or the number of workers involved in labor disputes relative to the total number of workers employed. Figure 3 shows the rates of strikes thus measured for Western and Eastern European countries for which there is comparable data.^x

The results are rather surprising. The unweighted average strike rate for these Western European countries is 100 days not worked per 1,000 workers per year. The comparable figure for Eastern European countries is 25.^{xi} Certainly there is great variation in the strike rates for Western European countries. What is most surprising is that even the most strike prone Eastern European countries come nowhere near the strike rates of the most strike prone Western European countries.

Some might argue that such figures as strike rates can be interpreted in a number of different ways. A low strike rate might not be a sign of the weakness of organized labor, but rather a sign of strength (Kelly 1998: 10). Several Western European countries in figure 3 have relatively low strike rates, in some cases lower than the average for Eastern Europe. The traditional explanation for low strike rates in certain Western European countries is the strength of those countries' corporatist institutions (Schmitter 1981; Cameron 1984).

Post-communist societies explicitly sought to build corporatist institutions, in no small part from their desire to "join Europe." Indeed, throughout Eastern Europe tripartism—the institutionalized intermediation of the interests of labor, capital, and the state—"has become a regular feature of the social landscape" (Ost 2000: 504). The issue of corporatism is a crucial one, not only because applicant countries to the EU want to be seen as adopting European institutions, but because the future of "Social Europe" rests to a considerable extent on the quality of interest representation among its new entrants (Iankova and Turner 2000).

A number of commentators have argued that tripartism has indeed contributed to labor peace in the region (Iankova 2002; Iankova 1998: 222–264; Hethy 1994). Iankova argues that these institutions have largely been successful in their "pursuit of social peace through compromise on the basis of general consensus among all actors involved" (Iankova 2002: 9).^{xii} At least in the early transition years, Hungary in particular was cited as a strong case of corporatism: Kornai referred to tripartism as a second government, while Hethy characterized it as a rival to parliament (Kornai 1996; Hethy 1994: 92).

Such statements notwithstanding, the majority of the studies of post-communist corporatism have found these institutions to be rather weak and ineffective. Indeed, the language used is often quite strong: corporatism in the region has been described as "paternalist", "illusory", and a "sham" (Tatur 1995; Ost 2000).^{xiii} Rather than leading to social democratic outcomes, the process has been described as "fragile tripartism subordinate to neo-liberal dictates" and a "political shell for a neo-liberal economic strategy" (Pollert 2001: 165; Thirkell, Petkov, and Vickerstaff 1998: 166).^{xiv}

Presently, we do not have the space to delve into the record of post-communist countries over the last decade to determine which of these perspectives has the most merit. However, given our earlier discussion of

the historical evolution of these institutions in Western Europe, there are reasons for further pessimism about the corporatist experiment in Eastern Europe. While labor peace coincided with strong corporatist systems and strong unions in the postwar era, this was not always the case. Indeed, we must recall that corporatist institutions evolved in response to high levels of labor unrest in Scandinavia and elsewhere (Crouch 1993). In Eastern Europe labor has not displayed sufficient mobilization power in the post-communist era to compel the other social partners—the state and employers—to construct significant institutions of interest intermediation.

The lack of strong employer organizations has been at least as great a hindrance to establishing more meaningful social dialogue in post-communist societies. Recall that in the Western European experience strong employer organizations are central to the continued viability of the social model. The lack of strong employer organizations in Eastern Europe can partly be explained by the impact of the communist period, where, to put it mildly, private employers were few and hardly organized. Yet, more than a decade after communism and in now largely privatized economies, the weakness of employer organizations is also a reflection of the weakness of labor. As the Western European history suggests, not only do employers not need to bargain with labor beyond the simple contract in the absence of effective pressure from labor, employers have little need to organize themselves unless and until labor can compel them to do so.

We have now seen a number of indications of the weakness of labor in post-communist societies. This general finding has been confirmed through case studies of individual countries in the region that focused on this question of labor strength and weakness (Crowley and Ost 2001). Using a much different methodology, a recent study of “twenty engines of growth for European transition countries” published by the World Economic Forum and Harvard’s Center for International Development found that while the transition countries lagged on almost all of the 20 indicators in comparison with other countries, the main exception was “labor market flexibility,” as measured by a survey of executive opinion on the degree to which hiring and firing was determined by regulations or employers, on the extent to which hours were flexible, and on the degree of decentralized wage setting. On a scale of one to seven, by this measure labor flexibility for the EU on average was 2.9; for post-communist societies the average was 4.6.^{xv}

In short, labor does indeed appear to be a weak social actor in post-communist Europe. What would explain this weakness? Surprisingly, this weakness holds across the region despite a rather stunning diversity of economic and political outcomes, such as the different levels of economic recovery in Poland versus Ukraine, or the amount of political liberty in Hungary versus Belarus.^{xvi} Moreover, this considerable diversity within post-communist cases extends not only to broad political and economic indicators, but also more narrowly to what we might call industrial relations variables—both centralized and pluralist union movements, various modes of privatization, the influence of old versus new unions, among other differences (Ost and Crowley 2001). Indeed, about the only thing these countries have in common any more is the legacy of the communist period, and it is this communist legacy, I would argue, that explains much of this weakness.

The impact of this legacy on trade unions is great. In every post-communist society, including Poland, the largest trade union is the one originally established by the Communist Party. While in many cases tremendous efforts to reorient these institutions have been made, the institutional and ideological legacies of the communist period remain deep.

These legacies have left unions—though often with significant institutional resources and memberships—with extremely weak links to their members. Let us recall in figure 2 the difference between the membership figures reported by the unions themselves and those obtained from surveys. The nearly 20 percent differential between officially reported membership and those willing to claim union membership in a survey suggests a weak link indeed between these organizations and those they profess to represent. Moreover, this weak link is also suggested by additional survey data, which finds that unions as social institutions enjoy much less trust in Eastern European as compared with Western European societies.

LABOR AND POST-COMMUNIST WELFARE STATES

What impact might this relative weakness of labor have on welfare states and social welfare in post-communist countries? The extent of the impact of the post-communist transformations on social well-being is somewhat contested. For some, the social problems these societies face are quite serious, and include “high levels of unemployment with a clear impact on welfare services, increased poverty and social exclusion, high

inequalities between women and men, low wages, huge sectors confronted with economic restructuring and privatization, and a considerable informal sector” (Andre 2002). Others, such as Aslund, argue that post-communist economic reform “is often presented as a social catastrophe. However, this is not generally true and the social trauma is greatly exaggerated” (Aslund 2002: 304).

To make sense of these claims, and to determine the place of labor in the social policies of post-communist societies, let us briefly look in turn at the issues of wages and wage inequality, unemployment levels and unemployment spending, and social spending and poverty generally. Regarding wages, while there have been recent increases in wages in countries like Hungary and Slovakia, such wage increases have come only after a period of dramatic decline. Wages dropped considerably throughout the region in the first years of post-communism, when output declined on levels comparable to those experienced by major countries during the Great Depression (Milanovic 1998). Moreover, according to Milanovic, in the post-communist transition/depression, the real wage bill was cut by approximately one-third in Eastern Europe and one-half in the former Soviet Union; “both cuts are larger than those experienced by labor in major countries during the Great Depression (Milanovic 1998: 29–30). The result was a substantial increase in poverty, including a significant number of working poor.

Further, despite recent increases in wages, for some time wages in Hungary lagged behind increases in productivity, an indirect measure, some would argue, of labor’s power (Ellingstad 1997). Indeed, a study of wages in four East Central European countries published by the World Bank in 2000 found that the productivity gap with Western Europe was much smaller than wage gap (Havlik 2000: 13). The study also argued “wages in most transition countries are low even when measured at their real purchasing power,” which was found to be some 40 percent of the “equilibrium” wage (Havlik 2000: 2). Farther to the east, wage declines were much more dramatic, as wage arrears became endemic in parts of the former Soviet Union. When combined with arrears in pensions, poverty became widespread and a major social concern.

How significantly has wage inequality increased in these countries? By 1995–1997 average Gini coefficients for Central Europe and the Baltic states were at levels similar to those found in OECD countries, while

those elsewhere in the former Soviet Union were considerably higher. While some would argue that such income dispersions are converging to capitalist norms, others point out that these inequalities arose quite quickly from what had been quite egalitarian societies.^{xvii} Nevertheless, we should point out that by this data, in East Central Europe at least, wage inequalities have not reached the higher levels found in more liberal economies. Yet even if the current level of inequality is not especially high, the weakness of labor—as measured by union density and the level and strength of collective bargaining—and the experience of the advanced economies suggest that wage dispersion may well increase over time. Again, in the former Soviet republics, income inequality in some cases reaches well beyond the levels found in advanced liberal economies.

Moreover, concerning the gender wage gap, we do find greater inequality in Eastern Europe. According to a report by the UN Economic Commission for Europe, women in Eastern Europe earn 20 to 25 percent less than their male counterparts, significantly higher than the 16 percent pay gap reported for OECD countries (International Confederation of Free Trade Unions 2003: 1).

Concerning minimum wages, an important means for keeping the lowest paid workers out of poverty, by the end of 2001 the average minimum wage in a number of post-communist countries was \$0.51, compared with an average minimum wage of \$5.08 in the EU. The minimum wage in Russia was then just \$0.06 per hour, compared with \$0.20 in Vietnam.^{xviii} Minimum wages are significant not only to those actively in the labor market because in some countries minimum wage levels help set the levels of pensions and other benefits. However, not only are the minimum wages low in many post-communist societies, they are often unenforced. Altogether we can conclude that minimum wages provide questionable support for those on the bottom end of the labor market (Riboud, Sanchez-Paramo, and Silva-Jauregui 2002).

While labor unions may have a limited ability to influence the level of unemployment in the best of circumstances, high levels of unemployment certainly weaken labor's power. Unemployment levels grew considerably in the region during the initial post-communist period as output dropped; while output has increased and in a number of cases surpassed the initial levels, employment levels have not recovered (Riboud, Sanchez-Paramo, and Silva-Jauregui 2002).^{xix} Unemployment rates have remained quite

high, especially in Poland and Slovakia where unemployment rates in December 2004 reached 18.3 percent and 16.9 percent respectively (and where the economies have otherwise appeared relatively strong).

Moreover, and as we would expect given the relatively limited influence of organized labor, unemployment benefits are relatively low and government spending on unemployment policies is quite low. While the ratio of wages to unemployment benefits is not substantially lower than found in OECD countries, spending on both active and passive labor market policies is substantially lower than the averages in the EU or the OECD (Riboud, Sanchez-Paramo, and Silva-Jauregui 2002). Looking at spending relative to the number of unemployed, government spending on passive policies is 0.06 in EU accession countries, compared with an average of 0.26 for (preaccession) EU members, and 0.23 for OECD members. The figure of 0.06 is the same as for the U.S., the lowest of any OECD member. Likewise, for active policies, the average for accession countries is 0.04, as opposed to 0.16 for EU members and 0.14 for the OECD. The 0.04 figure is again identical to that of the U.S., second lowest in the OECD after Japan (0.02). This would certainly place the countries of East Central Europe at the more liberal end of the advanced capitalist economies.

Further still, despite this limited spending on labor market policies, at least the EU accession countries find themselves on the far end of the spectrum regarding the tax burden on labor. Dani Rodrik has argued that the relative share of taxes paid by labor as compared to capital is a reflection of their relative power, particularly in an era of increasing capital mobility (Rodrik 1997). The payroll tax rate for these countries is 43.4 percent, as opposed to an average of 23.5 percent for current EU members and 19.5 percent for OECD members. “Moreover, the tax burden on labor exceeds the amount of the payroll tax. Consumption and income taxes also affect labor income and are part of the tax wedge between labor costs and take-home pay.” When consumption and income taxes are added to payroll taxes, the total tax rate for labor in the accession countries is 74.7 percent, considerably higher than the EU average of 53.0 percent and the OECD average of 45.4 percent (Riboud, Sanchez-Paramo, and Silva-Jauregui 2002).

However, all of the above notwithstanding, it would be misleading to say that the overall picture of the post-communist welfare state is one of

weakness. Indeed, in terms of social spending, in East Central Europe at least, post-communist welfare states appear robust. Social expenditures such as those for pensions, health care, and education have increased relative to GDP in many post-communist societies, and “the relative public sector contribution to the standard of living has actually risen in the transition virtually everywhere” (Aslund 2002: 306). One must quickly point out that given the economic contraction during the last decade, spending relative to GDP may have limited meaning in terms of people’s daily lives. Nevertheless, as Meardi has put it, “if one looks only at social expenditure, it is indeed possible to argue that no dramatic change has happened and [East Central Europe] is not much worse than the EU.” Yet, Meardi continues, “this view is, however, nominalistic, partial and static. It neglects the collapse (not registered in statistics) of company-level social expenditure; it isolates the welfare state from the trends in industrial relations, taxation and finance; it overlooks the most recent political developments and trends heralding further ‘Americanization’ ” (Meardi 2002: 79).^{xx}

Farther to the east, the social situation is more bleak. Poverty has been much more pronounced in the Balkans and the former Soviet Union. To take the example of Russia, estimates of the proportion those who have been in poverty since the end of the Soviet Union range between one-quarter and one-half of the population, with about one-fifth of the population in persistent poverty, and one-tenth in acute poverty (defined as per capita income below half of the subsistence minimum). Many of those in poverty are “working poor.” Russia has also become a world leader in suicides, the murder rate increased dramatically with the collapse of communism, and the number of working age men who died from alcohol-related causes more than tripled from 1990 to 1995. At least one observer has argued that such social problems are directly related to a quiescent labor force (Javeline 2003).

Yet one cannot argue that the relative power of labor explains the differences in social welfare between East Central Europe and the former Soviet republics, simply because the differences in labor power, at least along the dimensions we have examined them here, have been rather limited. Indeed, in some ways the proposed connection between the power of labor and the welfare state in these societies remains more of a theoretical than an empirical claim. Can the current level of social spending in East Central Europe be maintained, even if the labor regime in these

societies becomes more flexible and organized labor becomes less strong? Can social welfare in the former Soviet Union be improved significantly in the absence of an effective labor movement?

On the one hand, we need to emphasize the ways in which these societies are not moving toward the liberal model. In East Central Europe at least, there has not been a strong push for dismantling the welfare state. Thus, while labor relations are moving in a liberal direction, the welfare state is not, at least to the same extent. There are other constraints on the welfare state besides labor. The legacy of the “premature welfare states” of the communist era is strong, and with it comes public expectations for continued spending (Kornia 1992). Voters remain an important constraint, as they do in liberal societies, even if the impact of interest intermediation is more limited (Orenstein 1994). Moreover, there are countries in Western Europe where corporatist institutions have been relatively weak in the past, and yet reform pressures have pushed unions and employers to reach social pacts over welfare spending and economic competitiveness (Rhodes 2001). Such changes cannot be ruled out for post-communist countries.

However, the reasons for pessimism regarding the future of welfare states in these societies are at least equally strong. We have seen a number of reasons to question the strength of labor in the workplace and throughout society. Politically, it is questionable whether organized labor has a strong enough voice on the national level to act as an additional veto point over welfare policy. While electoral politics may have been sufficient to this point to maintain high levels of social expenditures, one must ask if this alone would allow such welfare states to weather significant fiscal crises and the pressures of conforming to the Eurozone criteria. In Western Europe, “in many countries, efforts to introduce significant changes in social policy have provoked sharp conflicts and triggered widespread social unrest. During the past few years, announcements of plans for welfare cutbacks in France, Germany, and Italy prompted the largest demonstrations in twenty years” (Pierson 2001). Needless to say, labor unions were central to these mobilizations, and it is doubtful whether unions in post-communist Europe are capable of playing a similar role.

Moreover, these societies lack the positive feedback loop that has led employers as well as unions in the more coordinated economies to seek to maintain the social institutions to which they have adapted themselves.

When combined with relatively weak corporatist institutions in Eastern European societies, this suggests a more limited ability of organized interests to prevent welfare state retrenchment. Lastly, since by definition labor relations and labor market policies are central to the welfare state, there are already significant weaknesses in post-communist welfare states even where there are high levels of social spending.

Further still, there are reasons to doubt that large-scale change in these areas can easily occur. This is partly for reasons of “path dependence,” a notion that has been widely employed in the study of both the welfare state and post-communism.^{xxi} Path dependence suggests, in part, that once a certain constellation of institutions is put into place, it becomes quite difficult to change them. This idea has been influential in the debate over the “varieties of capitalism”; one of the predominant views in this literature states that contrary to the thesis of globalization leading to convergence, the more coordinated and the more liberal of the advanced economies are remaining quite distinct, and perhaps becoming even more so (Thelen 2001). Prominent theorists both of welfare state politics and of industrial relations have endorsed this view, arguing, for example, that once certain liberal institutions are in place, the ability to transform those institutions toward a more coordinated model is very limited.

It may be that, given this understanding of path dependence, post-communist societies are developing a distinct “world of welfare capitalism” in addition to the ones Esping-Andersen described in Western Europe. This post-communist model might combine a weak labor regime with the communist-era legacy of relatively high social expenditures that becomes self-sustaining over time. However, with the lack of additional veto points mentioned above, the hypothetically self-sustaining nature of such a model is questionable over the longer term.

Indeed, over the last decade post-communist societies have undergone a rapid transformation of labor market policies from the rigidities of the communist era to flexibilities that closely resemble the liberal model. These societies have also seen a dramatic decline in the power of organized labor, exemplified by the example of Poland, which has been transformed from arguably the strongest labor movement in history during the Solidarity era to a union scene that is much more fragmented and is perhaps the least unionized of any of the post-communist countries (see figure 2). Despite the best efforts of a number of European institutions

preparing for accession, there are strong reasons for believing that such trends will continue in a more liberal direction rather than reverse themselves. Indeed, while the hope of European Union officials is to export the model of “social Europe” to the east, it is equally plausible that an additional impetus for a more flexible labor regime and a more liberal welfare state could enter the EU through the back door of Eastern Europe (Meardi 2002).

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NOTES

- i. For the purposes of this chapter, “labor” is intended to mean primarily (but not exclusively) organized labor, and the power of labor is defined as the ability of labor to influence the material and social concerns of workers both in the workplace and at the national level.
- ii. Rothstein, it should be noted, argues that this is only a correlation, and that certain elements of the welfare state, namely the Ghent system of unemployment insurance, best explain the size of union movements in certain countries.
- iii. Crouch enters two reservations to this generalization: “once goaded into action by labor, employers often set the pace”; and although the first steps of employers organizations followed union mobilization, those employers who organized most effectively already had some organization for trade purposes.
- iv. This has not been the case, thus far, for such programs as social security in the United States, which remain quite popular with voters. See Pierson (1994).
- v. Many of the arguments in this section are presented in much more detail in Crowley (2004).
- vi. Howard (2002) reports a lower figure of 19.6 percent for post-communist union membership, but I have adjusted the survey data so it reflects only the non-agricultural labor force.
- vii. Slovenia is an outlier on this and most other dimensions of labor relations, and a complete explanation of why would require a full-length article of its own.
- viii. One must add that if wage levels are set unilaterally by private sector employers, collective bargaining in that sector has little meaning. Thus it is hard to understand their conclusion that in terms of union strength and wage bargaining, the EU accession countries are “somewhere in the middle of the range [of advanced capitalist countries], together with countries like Belgium or the Netherlands” (Riboud, Sanches-Paramo, and Silva-Jauregui 2002: 257).
- ix. For more recent evidence, see Pollert (2001).
- x. Exact comparisons between countries are difficult since different methods are used for compiling statistics. Nevertheless, the difference between Western and Eastern Europe are large enough to suggest a real difference in the phenomenon being measured. As Shalev notes, the limitations of strike statistics well-known, but so is the equally well rehearsed reply—they are better than nothing (1992: 102–132). In her discussion of the Russian case, Javeline (2003a) finds that survey evidence supports the general parameters of the official strike data.
- xi. The figures for some Western European countries are from 1989–1998, while the rest are from 1992–2001, though data are missing for some countries in some years (International Labor Organization 2002; Davies 2000).
- xii. A more equivocal account of corporatism in the region can be found in Orenstein and Hale (2001).

- xiii. The quotations are from, respectively, Tatur (1995), Ost (2000), and Rutland (1992).
- xiv. Other studies reaching similar conclusions include Kubicek (1999), Crowley and Ost (2001), Heinisch (1999), and Connor (1996).
- xv. Out of 75 countries measured, Romania and Ukraine were tied for first with a “perfect” score of 7; Slovenia, an outlier on many of the measures examined in this chapter, was the only post-communist country below the EU average. Interestingly, while the study calls labor flexibility one of 20 “engines of growth,” it also concedes that regression finds no correlation between flexibility and growth (Warner 2002).
- xvi. Again, Slovenia remains a small (in terms of population) but significant exception.
- xvii. These opposing viewpoints are expressed, respectively, in Aslund (2002) and Ringold (1999).
- xviii. At the upper end the minimum wage was \$1.10 in Hungary, and has since been increased, as compared to \$1.64 in Spain, the lowest in the EU (Mercer). In Russia the minimum wage has for some time been below the government defined subsistence minimum.
- xix. However, in the former Soviet Union wages were more flexible than employment levels (Milanovic 1998).
- xx. Regarding “Americanization,” Meardi finds that “on many issues (privatization, pensions systems, taxation, working time, the welfare state, wage differentials, and so on) post-communist countries are following a ‘North American’ road rather than that of the European social market economy” (2002).
- xxi. This is largely due to the influence of Paul Pierson and David Stark respectively.

Designing a “Scorecard” to Monitor and Map Social Development of Municipalities in Tomsk Oblast (Russia)ⁱ

ANASTASSTIA ALEXANDROVA AND POLINA KUZNETSOVA

INTRODUCTION

The need to receive regular, objective, comprehensive, and interpretable municipal level information has for a long time remained unfulfilled in Russia, where until 1995 municipalities were not even formally responsible for establishing development priorities and implementing independent economic policies. After the law on municipal governance principles came into effect in 1995, more and more localities realized that making sound decisions within their policy domain was a challenging task that required systematic, appropriate, and accurate information. Moreover, regional governments also came to the understanding that the success of their economic and social policies was virtually impossible without well-informed decisions that took into account not only the views of local self-governing authorities, but also objective data on various aspects of local development, such as infrastructure development, the labor market, income levels, environmental issues, non-governmental sector development, land and housing markets, etc. Ongoing debates regarding decentralization put the issues of inter-regional inequality versus development opportunities on the table, calling for empirical evidence to determine which policies promote economic growth and ensure distribution of its gains to the poor and disadvantaged populations. More recently, the introduction of modern monitoring and evaluation techniques aimed at tracking the success of previously designed economic development plans and social policy interventions has increased the demand for reliable local information not only from policy makers but also from evaluators and the research community. Finally, the growing

civil society has been pushing for “transparent municipalities,” a concept that includes provision of measurable and understandable information to citizens on how local needs are being met.

There are many known solutions to these challenges in the world. Transparent and efficient systems such as citizen scorecards, living standard measurement surveys, indices measuring various aspects of welfare outcomes or urban development have been designed and implemented around the globe. Abundant literature is available on these and other measurement tools (see, for instance, Lipton 1993; Ravaillon 1994; UN 1998; Gacitúa-Marió and Wodon 2001). The five-component City Development Index, applied internationally, is an example of measuring urban well-being, including access to urban infrastructure. It is known to be a good proxy for assessing governance and even urban poverty.

As for Russia, the systems of collecting and processing statistical information from the local level were put in place long before the transition started, and on the surface it seems that the country has a strong capacity to satisfy the needs of policy makers at various levels. For instance, the Russian Committee on Statistics (Goskomstat) has branch offices in each of the 89 regions (regional offices) and in 2,200 municipalities (local offices). However, municipal information generated by Goskomstat is not only difficult to access even for municipalities themselves,ⁱⁱ it is also designed in a way that reflects the information needs of a planned economy with its emphasis on production; it lacks social development data; makes little or no distinction between output and outcome indicators; there is a total absence of information that would allow the measurement of performance other than within the parameters of existing facilities (for more details on the state statistical system, see Vetrov 2001). Such a mismatch between the local statistics available and the need to make informed decisions is aggravated by the fragmentation of data, the misinterpretation of indicators at the primary level of collection, the shortage of technical and human resources required to maintain databases, and the otherwise limited capacity to use statistics for monitoring purposes. While such problems can be overcome only through a large effort involving a number of agencies (data providers and users ranging from policymakers to independent researchers to NGOsⁱⁱⁱ), many improvements can be made in one given region if there is enough will to organize the coordinated work of all stakeholders, including municipalities themselves.

Designing a “Scorecard”

This chapter intends to show how the simple technique of collecting available municipal statistics and using them to rank localities by assigning development scores, can help address several issues at the local and regional level. First, the information on scores generated by the localities, or a scorecard, helps to inform regional policies, especially those likely to have most of their impact visible at the local level and to require local implementation. Such policies may include determining the most economically depressed, isolated or economically non-viable areas and designing special interventions to help their residents to migrate to areas of better employment opportunities; introducing incentives for fiscal reforms and improvement of public expenditures at the local level; attracting investments to accelerate development in certain areas; implementing a mechanism for the geographical targeting of a regional social assistance program, etc. Second, the scorecard, being simple and easy to understand, has proved useful in creating a basis for involving local stakeholders, including governing authorities, NGOs and businesses, in an open and substantial dialogue focused on local development priorities and poverty alleviation measures. Third, if the data collection continues, the scorecard can be used by the regional administration for monitoring purposes, signaling changes and problems at the local level and encouraging a more thorough analysis or quick actions. Finally, designing the scorecard produces a number of concrete suggestions on how municipal statistics can be improved to better serve decision making.

The chapter is divided into in four parts. The first part gives an overview of Tomsk oblast, the Russian region that was used as a case study, where the scorecard mechanism was tested. The second part explains the system of assigning scores to the administrative localities (districts or municipalities) of the oblast and deriving composite indices that served as illustrations of differences observed in many statistical parameters. The third part shows the quantitative and visual results of applying the scorecard to the municipal data, it will present municipal rankings in terms of scores assigned and translated into a set of illustrations or maps. The final part provides suggestions made to Tomsk oblast authorities on policies that may be influenced by the results of applying the scorecard, as well as on possible improvements in statistical systems and monitoring tools used at the regional level.

TOMSK OBLAST AS A CASE STUDY OF INTRA-REGIONAL DIFFERENTIATION

The activities described in this chapter were conducted in Tomsk oblast (Siberia, Russian Federation) in 2002, as part of technical assistance provided by the Institute of Urban Economics (IUE) to the Administration of Tomsk oblast in developing a poverty alleviation strategy. The Tomsk oblast profile can be found in annex 1. The regional administration made poverty reduction one of its priorities and intended to introduce a set of measures in different sectors of the economy, which would contribute to welfare improvements in one way or another. The approach recommended by the IUE team was to implement a four-stage project that would include the following steps for the medium-term program:

- to define poverty in various ways and to analyze vulnerability risk factors;
- to define policies that would promote growth (i.e. go much beyond traditional measures of providing cash or in kind support to the poor);
- to improve social services and social assistance program designs, so that they target the hard core long-term unemployed, other disadvantaged groups or the poorest households;
- to develop a monitoring system that would allow evaluation of the effect that various strategies would have on poverty.

At the inception stage, there was clearly a lack of knowledge of many of the poverty aspects, such as its structure, dynamics or underlying factors. Assisted by the IUE, the regional authorities decided to conduct a household survey that would provide data for the analysis of poverty and the development of strategic recommendations. In addition, it was decided to collect readily available local statistics to complement the survey data allowing for a more thorough analysis of location-based social risk factors.

Indeed, the idea of a poverty alleviation program meant that various social risks needed to be taken into account, not only individual and household characteristics (unemployment, child birth, retirement, disability, etc.) but also those linked to the economic environment and the opportunities that each locality provides for development and use of

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human capital. These opportunities, as well as many other risk determinants (environmental hazards, municipal fiscal, bankruptcy and labor market policies, crime, ethnic issues, and allocation of different kinds of infrastructure and public goods), are unevenly distributed across the oblast, raising concerns about the feasibility of a uniform poverty alleviation strategy that does not take those geographic aspects and related problems into account.

As the information in annex 1 shows, Tomsk oblast is quite heterogeneous and may well serve as an illustration of the social consequences of economic transformation, urbanization and welfare issues in a variety of urban/rural settlements, including specific issues related to remoteness and far northern areas. Regional averages mask substantial variations among localities and do not allow for analysis of the geographic aspects of welfare and of the allocation of various kinds of infrastructure. At the same time, the economies of many localities are not sufficiently diversified to survive under the conditions of market reforms. Such mono-industrial settlements (one-company towns, especially those where the dominant industry is timber) and the relative underdevelopment of transportation networks in the oblast contribute to substantial inequality between areas and settlements. One indicator used was the difference in average wage level between localities, which varies by up to 500 percent.

Weak prospects for diversification and growth in many municipalities not only mean fewer employment or other income-generating opportunities for the population, but they also mean that no investment is being made in these areas and their infrastructure is deteriorating making inequality even higher, compared to the capital city and other more prosperous areas. There are specific problems of small towns related, for instance, to the housing and utilities sector. As large apartment buildings in such settlements are rare, housing management and maintenance contracts do not attract bidders and all services that would be competitive in another environment are provided by the same enterprise. Another example is that a significant portion of people’s housing and communal expenses in small towns goes for wood and coal, the provision of which is usually not within the system of housing and communal services. Groups that are traditionally considered vulnerable, such as single pensioners or the disabled, are at risk of total social exclusion in

isolated areas, where no services for them exist and outreach programs are too expensive for the municipal or regional government to carry out. Economic development prospects also influence the value of assets, such as housing, that could be used as tools to mitigate social risks. For instance, in larger cities that attract workers, including so-called “shuttle migrants,” pensioners often rent out their apartments or rooms to generate additional income, but in smaller localities such opportunities rarely exist. For residents of economically depressed areas the role of their assets to ensure sustainability is minimal; even selling them a low price is difficult.

Thus, the issues of intraregional inequality became an important part of the study of poverty in Tomsk oblast. One of the objectives was to reveal the areas or settlements that have the most acute welfare problems and where, without proper attention to the issues of municipal development, there is a risk of growing poverty and unemployment. The main source of information for poverty analysis was the household survey, while collection of local level data (the scorecard) was designed as a complementary information tool. However, it gradually gained in importance and became a standalone project. While this project, as part two will show, was not based on an advanced methodology, its outcomes served several purposes. For instance, the scorecard allowed the IUE to compare some subjective results obtained from the survey—such as satisfaction with housing and utilities and participation in education—with the information on the provision of utilities, educational facilities and so on. It also suggested a typology of municipalities, which would become a basis for considering different policy interventions. The scorecard helped to signal many problems about the resource potential or performance of municipalities, and it identified several information gaps and suggested where improvements in municipal statistics were needed.

USING SCORES TO ASSESS THE LEVEL OF MUNICIPAL DEVELOPMENT

The component based on community data or the municipal statistics needed to have three key characteristics in order to be feasible in Tomsk oblast. First, it had to be understandable to local leaders, since implementation needed their active involvement and ownership. It had to use

Designing a “Scorecard”

available information only because of the time and resource constraints of the project. Finally, it had to be sustainable given the limited capacity at the municipal level. Considering such strict requirements, we proposed a scorecard approach, meaning that municipal statistics available across the oblast would be collected, processed to obtain the rankings of localities and used to reveal differences between various development indicators. Later, a visual presentation of the rankings, or so-called “development maps,” was made to facilitate the presentation and discussion of the outcomes. Ranking and mapping tools have now been transferred to the regional government, enabling it to perform regular monitoring of at least the basic set of local development parameters without any additional costs.

Many indicators initially proposed for collection had to be rejected, since such information is not collected at any level or not by all municipalities. Examples include jobs gained as a result of participation in a municipal active labor market program, provision of social services to various client groups, per capita cost and outcomes of medical treatment, crowding indices etc. Some of this data was collected in the survey and some remained as gaps. Nevertheless, the following ten indices were designed and tailored to use only the readily available and uniform local statistical information.

- I₁ – Economic Development Index;
- I₂ – Demographic Situation Index;
- I₃ – Population Income Index;
- I₄ – Fiscal Burden from Privileges Index;
- I₅ – Employment Service Index;
- I₆ – Housing and Utility Sector Index;
- I₇ – Healthcare Index;
- I₈ – Child Care Sector Index
- I₉ – Criminal Environment Index
- I₁₀ – Remoteness Index

Using these ten basic indices, two additional composite ones were constructed, since regional authorities wanted to have an opportunity to compare some “final” or aggregate rankings with intermediate ones, depending on the policy issue. These composite indices are:

- Development Index = $(I_1 + I_2 + I_3 + I_4 + I_5 + I_6 + I_7 + I_8 + I_9)/9$;
- Attractiveness Index = $(I_3 + I_6 + I_7 + I_8 + I_9 + I_{10})/6$.

One of the methodological challenges was little comparability in the values of various statistical indicators provided by the municipalities. Some of them are measured in percents, others in units per capita, per 10,000 residents or per 100,000 residents. The way around this problem was to transfer the values of indicators into points or scores ranging from zero to 100. A question for developing the scales for such points was how to assign the minimum and maximum values and how to treat the differences in absolute or percentage values. For instance, if a locality gets a zero score on an indicator, the difference between it and any other one, whether it gains one or 99 points would be infinity. At the same time, the difference between a locality gaining one point and another gaining two points would be double, while between 89 and 90 points would be minor. To address such questions we suggested a procedure based not on predetermined absolute values, but on actual distribution of values for each municipal indicator among the localities. The procedure of assigning points, or scores, is the following.

The interval between the minimum value of a given indicator observed among all the localities and the maximum observed value is divided into 10 equal intervals. Depending on a given locality's indicator value, the locality gets 10, 20, or 100 points. This is demonstrated in figure 1.

Figure 1.



Such an approach fits the overall concept of the scorecard, since it concentrates on the differences between the municipalities, rather than upon absolute values, and it reveals “outsiders” and “leaders” in various fields and assesses the gap between them.

The next question in the process of constructing municipal development indices was how to deal with so-called “negative” indicators, such

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as mortality rate, share of enterprises running losses, and others, for which application of the same approach would confuse the results and make localities with high negative rates the leaders. At the same time, changing the way the scores were assigned would not allow combining “positive” and “negative” indicators into consolidated indices. Therefore, the scale was reversed for negative indicators: the closer a given indicator’s value is to the minimum, the higher score is assigned to the locality, as figure 2 shows.

Figure 2.



After the scores were assigned, calculation of indices became a mechanical process, a controversial aspect of which was weighting the different factors from which composite measures were constructed. While the weighting was to reflect the relative importance of various indicators from the development point of view, we found no truly objective way to compare wage arrears to crime rate and to lack of conveniences in people’s housing. The weighting therefore was done arbitrarily, through a process of consultations with regional experts, representatives from several localities, social protection agencies. It represents the result of a consensus building, rather than a scientific output. One positive outcome from this process, however, is that since the gaps and inadequacies of municipal statistics became obvious to regional and local leaders, they are beginning to receive attention that is likely to result in future improvements.^{iv} Limited information available for construction of the indices influenced the weighting process to some extent, because in cases where the number of available indicators is small (see I_9 , for example), the weights of each indicator were higher but not with due account for their importance relative to indicators from other sectors.

The set of indices, or the scorecard, is presented below. Weights are shown in parentheses. A negative sign after a weight shows that the respective indicator is a negative one, that is its higher value was transformed into a lower score.

Economic Development Index:

$I_1 = M_1/3 + M_2/4 + M_3/4 + M_4/18 + M_5/18 + M_6/18$, where

M_1 – industrial output per capita (1/3);

M_2 – share of prosperous industrial sectors in total production structure^v (1/4);

M_3 – capital investment per capita (1/4,-);

M_4 – agricultural output per capita (1/18 -);

M_5 – share of state and municipal enterprises (1/18,-);

M_6 – share of loss-making enterprises (1/18, -).

Demographic Situation Index:

$I_2 = M_7/3 + M_8/3 + M_9/3$, where

M_7 – demographic load on working population (1/3, -);

M_8 – mortality rate (persons per 1000 residents) (1/3, -);

M_9 – population growth due to migration (persons per 1,000 residents) (1/3).

Population Income Index:

$I_3 = M_{10} * 2/9 + M_{11}/9 + M_{12} * 2/9 + M_{13}/9 + M_{14}/9 + M_{15}/9$, where

M_{10} – average wage (2/9);

M_{11} – wage arrears total (1/9, -);

M_{12} – per capita trade turnover (2/9);

M_{13} – volume of paid services per person (1/9);

M_{14} – share of families receiving monthly child allowance (a proxy to child poverty) (1/6, -);

M_{15} – share of families receiving housing allowance (a proxy to poverty) (1/6, -).

Fiscal Burden from Privileges^{vi} Index:

$I_4 = M_{16}/5 + M_{17}/5 + M_{18} * 2/5 + M_{19}/5$, where

M_{16} – share of citizens receiving subsidies and allowances for housing and utility payments (1.5,-);

M_{17} – average amount of housing and utility allowance (1/5, -);

M_{18} – share of citizens receiving transportation benefits (2/5, -);

M_{19} – share of citizens receiving telecommunication service benefits (1/5, -);

Employment Service Index:

$I_5 = M_{20}/3 + M_{21}/6 + M_{22}/6 + M_{23}/6 + M_{24}/6$, where

M_{20} – registered unemployment level (1/3, -);

M_{21} – financial resources allocated by municipal budget for measures facilitating employment, per one unemployed (1/6);

M_{22} – number of unemployed who applied to Employment Service, per one job opening announced (1/6, -);

M_{23} – percentage of employed working in production sector (non-service) (1/6);

M_{24} – ratio of registered unemployed who obtained jobs through Employment Service to the total number of registered unemployed (1/6).

Housing and Utility Sector Index:

$I_6 = M_{25}/2 + M_{26}/6 + M_{27} \cdot 2/9 + M_{28}/9$, where

M_{25} – percentage of housing stock equipped with modern conveniences (1/2);

M_{26} – share of population living in housing equipped with water supply and sewerage facilities (1/6);

M_{27} – housing per 1 resident, in square meters (2/9);

M_{28} – amount of debt owed by population for housing and utility services, per one resident (1/9, -).

Healthcare Sector Index:

$I_7 = M_{29}/6 + M_{30}/4 + M_{31}/4 + M_{32}/4 + M_{33}/12$, where

M_{29} – number of patients diagnosed with active tuberculosis for the first time (persons per 100 000 residents) (1/6, -);

M_{30} – number of hospital beds (per 10 000 residents) (1/4);

M_{31} – number of doctors (per 10 000 residents) (1/4);

M_{32} – number of paramedical personnel (1/4);

M_{33} – number of nurses per one doctor (1/12).

Childcare Sector Index:

$I_8 = M_{34}/4 + M_{35}/4 + M_{36}/8 + M_{37} \cdot 3/8$, where

M_{34} – share of school students in the total number of students (1/4, -);

M_{35} – percentage of highly educated teachers in staff of pre-school institutions (1/4, -);

M_{36} – share of students attending school in second and third shift (1/8, -);

M_{37} – morbidity in pre-school institutions (share of days not attended because of sickness) (3/8, -).

Criminal Environment Index:

$I_9 = M_{38}/2 + M_{39}/2$, where

M_{38} – registered crime per 100 000 residents (1/2, -);

M_{39} – registered severe crime per 100 000 residents (1/2, -).

Remoteness Index:

$I_{10} = M_{40} / 3 + M_{41} \star 2/3$, where

M_{40} – distance from the oblast center (1/3, -);

M_{41} – density of automobile roads (2/3)

As can be seen from the I_1 formula, the economic development index is intended to characterize a municipality's economic resource base and the degree to which economic transformation has taken place to date. To reflect the industrial structure of the economy and the potential prospects or risks associated with it, we initially introduced percentages of the most and least dynamic industries, which are defined for the whole oblast on the basis of output dynamic analysis for the most recent several years. For Tomsk oblast a clearly risky industry is timber and forestry, which is virtually in a state of collapse. Therefore, its high share in a municipal economy almost automatically implies wage arrears, low incomes of the population, extremely weak capacity of municipalities to maintain the quality of public goods, and other risks. However, this suggestion was rejected and only the indicator of prosperous industries survived after the regional administration reviewed the index formula. Comparative calculations show that the most advanced areas (Tomsk and the surrounding rayon, or sector, Kargasok, Kedrov, Strezhevoi) are hardly affected at all; but six municipalities improved their economic ranking after changing the index formula. For instance, the eastern rural areas (Verkhnekestky, Asinovsky, Pervomaisky) look less risky now. On the other hand, Bakcharsky and Chainsky rayon

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moved down the scale since the low level of output and capital investment there had more significant weights.^{vii}

The share of enterprises operating at a loss we considered an important signal of the extent to which the local government is ready to introduce reforms that would push such incumbent enterprises out of the market, opening more room for development of SMEs and other new economic activities. However, in the final formula regional experts suggested that the weight for the share of loss-making enterprises be reduced, since enterprises tend underreport their profits to escape taxes. To us, the percentage of loss-makers remains relevant, at least to the extent such enterprises are subsidized by regional or local budgets. A high share of either true or false unprofitable business signals weak municipal development policies and ineffective tax and bankruptcy laws. Again, changing the index composition affected the scores originally assigned to the localities (see part three and annex 3).

Unfortunately, we were not able to collect the data that could adequately reflect the presence and growth of SMEs to complement this information. Instead we used the indicator “share of large enterprises” as an alternative or a proxy since the economic structure of the oblast is such that a large enterprise is either a prospective oil company (and then the indicator value for the share of prospective industries would be high, since petrochemical production is organized in mono-industrial settlements) or an old, often former military machinery, enterprise struggling to make ends meet. At the end, this indicator was rejected too, since the regional authorities felt uncomfortable, not being able to distinguish easily between “bad” and “good” large enterprises.

The demographic index was intended to reflect the attractiveness of living in particular municipality, but due to the lack of data we were only able to consider immigration (a positive factor, meaning there are employment opportunities or better services), mortality rate, and the ratio of pensioners and children to the working population. The latter is supposed to reveal, among other things, the areas where most of the active population has already left in search of better living, and the least active, ageing people are left behind. Such areas, especially if considered depressed and unsustainable, would still require rather large and permanent transfers from the regional budget to prevent marginalization of the remaining population, but out-migration support programs would not be

the recommended measure in such areas due to higher relocation and adaptation costs (not only economic, but also social).

The index that has the lofty name of Fiscal Burden, in fact, is designed to check consistency of other information. For instance, a high average amount of housing allowance (a means-tested benefit) indicates lower welfare of the population, at least in terms of reported income. Percentages of the population receiving various benefits hint at ageing, least active, more vulnerable demographic composition, since the groups eligible for such benefits include World War II veterans, Labor veterans, disabled, and the like.

What is now the Employment service index was initially designed as a labor market indicator, but there is little information available on the labor market per se, except wages and wage arrears that were included in the income indicator. International Labor Organization (ILO) unemployment is not measured at the local level, sectoral labor mobility and other important information can only be obtained from household surveys. As for municipal statistics, they provide a few snapshots from the employment services only. While there is no data that would allow any analysis of the effectiveness of employment assistance programs, only the inputs, the indicator turned out more useful than it may look, because registered unemployment varies between the localities, reaching as high as 12 percent in some of the depressed areas, but being as low as one to two percent in others (suggesting differences in opportunities for informal employment).

An attempt to use municipal statistics for an assessment of the quality of essential public goods, especially medical services and child care, resulted in the construction of two indices, both of which show that at the municipal level there is no measurement of quality, outputs or performance in such important sectors. This is particularly striking because healthcare and education expenditures, taken together, make up more than half, and often 80 percent and more, of municipal budget “social” expenditures. Additionally, such expenses are most often inefficient, as numerous studies have shown (see, for instance, Bogatova et al. 2002), and one would think that municipalities on average would mostly be interested in performance of these services. In reality, however, the rigidities and weaknesses of the statistical system cannot even satisfy such pressing need for information at the local level.

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The childcare index deserves attention as it has been almost completely revised by regional experts. The initial proposal contained such important indicators as the number of orphaned children, teacher/student ratio at different levels (preschool, nursery, primary, secondary, etc.). However, for some of these indicators we could get no information and others, such as child neglect, were not accepted by the regional clients, who did not want to affect the picture by the data on orphans, which are only a small percentage of children in Tomsk oblast (about three percent).

Even taken together, these indices do not address all aspects of municipal development. However, the fact that they allow comparisons to be made between municipalities proved quite important in signaling local problems. The scorecard is best used alongside the household survey data; such a combination makes rigorous welfare analysis possible and is thus the key to making sensible policy recommendations. At the same time, tools similar to indicator-based scorecards and rankings are used internationally by cities and regions in their strategic planning process (Healey 1997) and even as a stand-alone piece of information they bring new insights to policy debates. Part three will show what the scorecard revealed to the regional and local leaders in Tomsk oblast.

APPLICATION OF THE SCORECARD TO TOMSK OBLAST MUNICIPAL DATA

The interest of regional authorities in the scorecard application was driven by a notion that prosperous localities would require no public interventions and become attractive for investors from other regions, while all the attention and resources from the regional budget would have to go to the depressed ones. The indicators, however, demonstrated that a straightforward application of a geographical approach would be dangerous, for it would not cover the socially vulnerable population in richer areas and would likely lead to inefficient spending and a waste of public resources on unsustainable investment in non-viable areas. The summary table of the indicators, or the scorecard, is provided in annex 2.

The scorecard shows that while the most prosperous areas (the regional capital and petrochemical towns Kedrovyy and Strezhevoy) take the lead in many economic parameters, they are not free from social development issues. High crime rates and remoteness draw attention to

social tensions in high-income petrochemical cities. The oblast center is overloaded by its generous provision of privileges and benefits and is not the leader in economic development indicators. On the other hand, it remains the most “attractive” place in the oblast and needs a strategy to accommodate future inflows of population. High dispersion is observed in housing sector scores gained by localities, indicating many developmental risks as housing stock is ageing and communal service provision remains monopolized. The oblast population is quite unequally served by health care facilities, as the appropriate sector score shows, but this data needs to be interpreted carefully, since there is no need to provide a full range of medical services at the federal, regional and local levels. Each of these levels has its own mandate for providing healthcare, e.g. localities provide ambulance services, primary care and some in-patient services, while more specialized surgery is a responsibility of the regional level. Any regional capital is thus likely to have the highest score and should be ignored.

Overall, the Composite Municipality Development Index, shows that municipalities in the oblast can be divided into the following groups:

- High level of development—Kerovyi, Strezhevoi (68 and 73 points, compared to the average oblast value of 46 points);
- Average level of development—Aleksandrovsky, Tomsky, Bakcharsky, Kozhevnikovsky, Kargasoksky Raions and the regional capital (close to or above 50);
- Below average level of development—Zyriansky, Verhneketsky, Parabelsky, Shegarsky, Krivosheinsky, Asinovsky, Teguldetsky, Molchanovsky, Kolpashevsky Raions (around 40);
- Lowest level of development—Pervomaisky, Chainsky (33 and 34 points respectively).

It should be noted that the final results for the development index were strongly influenced by the values of the crime index, e.g. for Tomsk and Strezhevoi—the leaders in many other areas—the values for the crime index were only 35 and 20 respectively. In order to account for this effect, we also included in annex 2 the values of the **development index calculated without the crime index**, which reshuffle the localities somewhat:

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- Tomsk joins the petrochemical towns in the group of leaders, with its score of 69;
- Only Alexandrovsky and Tomsky rayons remain in the second best group with 51 and 54 points;
- More municipalities become classified as ‘below average’, there are 14 of them instead of nine in the former calculation;
- Finally, Pervomaisky and Chainsky rayons remain in the group with the lowest score (development index values are again 33 and 34).

We note, however, that the low values of the index characterizing the criminal environment could indicate either ineffective police operations or actual low levels of crime. Additionally, the nature of criminal activity—whether there is more domestic violence that hardly ever gets reported, or murder or white collar crimes that are more visible, etc. In rural areas, for instance, domestic violence is known to be a major issue, but in smaller settlements, especially depressed and isolated ones, the government often does not have the resources to maintain adequate police services, and a low rate of reported crime may likely be the result of such resource constraints and the way of living.

Another important indicator is the composite index of attractiveness. Unlike the Development Index, it does not include such “non-individual” parameters as economic development, demographic situation, fiscal burden, of the labor market parameters. This index is based on factors directly reflecting the living conditions of residents—income level, housing and conveniences, education and healthcare, crime rate.

Based on the values of this municipality attractiveness index, municipalities were divided into the following groups:

- Tomsk is the absolute leader—82 points;
- Municipalities with high attractiveness are again the petrochemical mono-industry center, Kedrovyi and Sterzhevoi, joined by Tomsky rural rayon (the values are 58, 60, 56, respectively, while the average is 46);
- Relatively attractive are such municipalities as Kolpashevsky, Molchanovsky, Asinovsky rayons (around 50 points);
- Most localities have an attractiveness score that is below the average;

- The least attractive are Teguldetsky and Alexandrovsky rayons (between 29 and 33 points) both of which are remote and doing also quite badly in terms of housing stock and conveniences. However, these two localities are not similar, since Teguldetsky rayon is located in the southern part of the oblast and is more densely populated than the most northern one, Alexandrovsky, only connected by airplane service to the rest of the oblast.

To facilitate the discussion among regional and local stakeholders, we mapped the rankings assigned to the localities for each indicator. During the discussions, representatives of the municipal governing authorities, local business, NGOs were able to compare their ranking with that of neighboring areas, inquire about particular determinants of their scores and received detailed explanations of the underlying factors.

Note that a composite index shows less intra-regional inequality than separate indicators and other data. In general, it looks as if the oblast consists of three highly developed communities (the capital and the oil towns), two outsiders (Chainsky and Pervomaisky districts have very low scores on such important indicators as incomes, labor market, reported crime level), a central core of risky areas (Kolpashevo, Molchanovo, etc.) and the largest group of eight municipalities with relatively decent indicators. However, we advise against making policy conclusions on the basis of these composite indicators that often mask many underlying factors of completely different kinds. Instead, we suggest that such an index-based approach is used primarily for the purposes of regular monitoring, in order to provide an early warning system of signals so that more rigorous investigations at the local level can be initiated.

CONCLUSIONS AND RECOMMENDATIONS TO THE OBLAST

The work to design a municipal development scorecard and map the results required the joint effort of local governments, academics, experts, the regional administration and statisticians. Bringing them together at an early stage in the work not only facilitated the data collection, but created a more constructive and cooperative environment for designing regional strategies later on. Municipalities greatly appreciated the fact that they were included in the process as active participants and that they could influence regional policy making, advocate for their

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development priorities and receive consultations from various experts, including independent ones. Thus, the most visible positive outcome of the scorecard project was the introduction of a participatory culture into regional decision-making. The poverty alleviation program, to which the scorecard information contributed, was accepted more quickly than usual, because of the process of open consultations rather than controversial debates. One drawback of open consultations, however, is the political influence used in defining their content, i.e. some indicators were modified because the initial proposal did not correspond to the vision of politicians.

As a basis for policy recommendations, the scorecard alone is not a good tool for their formulation, but it did contribute to the set of policies that were designed on the basis of the complete study of poverty, including the household survey. Examples of suggestions derived from municipal scores and rankings include:

1. Enterprise restructuring in order to generate resources for future growth has to be the ultimate priority. Currently, market forces seem to be blocked by high percentage of state and municipal enterprises in the economy. A high percentage of incumbent enterprises (large, unprofitable, operating in risky sectors) also calls for a need to ‘clean the house’ and open economic space to development of new businesses.
2. Ensuring that adequate safety nets are available for the workers who are likely to lose their jobs if enterprise restructuring is encouraged. Information on employment services suggests that in most municipalities reliance on them would not be recommended (and additional labor market information is needed before making any decisions that may affect large groups of people). Therefore regional and local authorities have to consider several alternatives that could include (i) provision of generous redundancy packages, in some cases maybe including relocation packages, (ii) negotiating their social and investment policies with the management of the dominant business in one-company towns, (iii) possibly establishing social partnership programs for successful restructuring, or looking for outside investors interested in entering the market.

3. Providing incentives to encourage municipalities to undertake specific reforms aimed at poverty reduction or economic restructuring. Such incentives could include setting up a municipal reform support fund to provide supplemental financing to local governments that introduce the reforms defined as regional policy priorities. Municipalities would need to compete for regional funding in accordance with a formal procedure and to co-finance the activities. The scorecard could help in selecting specific reforms (such as restructuring of healthcare services versus transformation of in-kind privileges into targeted social assistance) that may best suit given conditions of a particular municipality that is willing to apply for financial support from the fund.

4. Designing a social safety net system that would address the poor. This would require decisions on targeting methods, poverty lines and other parameters. The most important decision would be between geographical targeting (supporting populations in the most depressed or poorest areas) or targeting individuals and families by income. The scorecard could include information on subsistence minimum levels for each municipality. It would show then that using the oblast average subsistence minimum level as a poverty line would shift most social transfers to certain districts, while calculation of the subsistence minima for each locality would mean that generally the poorest people or households in each area would receive most benefits. Additionally, scorecard information could help to define specific forms of assistance to the population in different ways for different areas. For example, introduction of a program that influences client behavior to move the poor “from welfare to work” could be recommended to urban areas with diversified and developed labor markets or to some rural localities where shuttle labor migration is a widespread practice. But in remote rural districts, different types of programs would be needed. The demographic composition of the population by locality is another important factor in safety net design, since child poverty is different from the social exclusion of the elderly who receive regular pension transfers but may lack healthcare or an ability to buy support services they need.

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5. Out-migration assistance program needs to be designed in order to assist the population to move to places with better employment opportunities or infrastructure and services and to reduce the fiscal burden of maintaining non-viable communities. The scorecard, among other things, also showed that potentially non-viable but currently prosperous mono-industrial settlements (petrochemical towns) need not be included in a budget-funded program, but joint efforts of the regional and local administrations may be needed to promote introduction of private insurance schemes for workers in the dominant enterprises, to prevent future public expenses. On the other hand, the indices suggest that in some areas the remaining population is rapidly ageing and therefore migration may be too costly and quite useless for them, so that stable social transfers may be a more rational solution.
6. Improving the urban environment of the regional capital and petrochemical towns appears to be one of the important factors that improves the welfare of the population and makes these localities more attractive for investors. The scorecard suggests that Tomsk city, for example, needs to focus its development strategy on crime prevention, rationalization of public sector expenditures (especially in the healthcare sector and the costly system of privileges) and improvement of housing stock, a large part of which consists of individual wooden houses of rural type that do not match the standards of a modern city infrastructure.

In addition, the scorecard showed the importance of index-based analysis for development of an efficient monitoring instrument. Consider a real case in Tomsk oblast when a branch office of a large oil company was shut down in one of the localities. This action took place during the final stage of the scorecard development and we were able to illustrate how regular collection of information would quickly reveal such important changes, making them noticeable at the regional level. Per capita industrial output in the locality in question dropped significantly, and then the indicator of prosperous industry dropped to zero. This, in turn, reduced the value of the economic development index by more than half. The locality therefore moved down several steps in the economic devel-

opment ladder and it could not escape attention. The consolidated development index did not immediately change, since the economic development index is only one of nine equivalent components of the consolidated index. Timely actions could be undertaken to ensure social stability and effective transformation of economic activity in the given locality.

Our regional and local counterparts realize that what gets measured regularly has higher chances to get improved, since many of their questions still remain unanswered due to lack of data. The scorecard showed how difficult it is to measure government performance or policy results in various sectors, given the current monitoring tools available, and how interrelated the outcomes of local and regional policies are. It also demonstrated that setting abstract policy priorities, which is the usual practice, leads nowhere as no measurable indicators are created to monitor fulfillment of general objectives, such as “improving services provided to citizens.” Development of desired measurable outcome indicators will make local statistics more useful and must be the next step. The stage is set for a dialogue between government administrators and the population they serve, since using the scorecard is a simple tool that can be used in public discussion and in local media.

Annex 1. Tomsk Oblast at a Glance

Tomsk oblast is located in the Western Siberia, covering 316.9 square kilometers. A large part of the territory is covered with forests and swamps, and about 80 percent is classified as the far north,¹ according to the Russian Government. As of 2002, the number of people living in the oblast was 1.06 million. Compared to other regions, Tomsk oblast remains relatively “young” demographically (the average population age is 35.5 years and the share of pensioners is 16.9 percent, compared to the Russian average of 20.7 percent); urbanization has increased in 1980s and 1990s, as people, particularly those of working age, have been moving to localities with better employment opportunities, mostly to the regional capital, the city of Tomsk and surrounding Tomsky district. A continental climate (severe winters, hot summers) and remoteness of large parts of the oblast from transportation routes and big cities make population density low even by Russian standards at 3.3 persons per square kilometer. The majority of the population, however, is concentrated in the southern areas. Nearly half of the people, 484.6 thousand, live in Tomsk city

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and additional 119.5 thousands live in the adjacent city of Seversk (an officially closed municipality organized around an atomic chemical enterprise). About 345,000 people reside in rural areas.

Urban settlements differ greatly in many parameters. For instance, an oil town Strezhevoy is a donor to the oblast budget, while timber and food processing industry centers Asino and Kolpashevo are recipients. A comparison of the subsistence minimum indicators shows that the cost of living in Strezhevoy is 140 percent of the oblast average, in Kolpashevo it is about 130 percent, but in Asino it makes only 90 percent of the oblast average. Many towns suffer from shabby and ageing infrastructure, especially in the housing sector, but even some of these offer well-paying jobs to residents, especially in the petrochemical industry. As for the rural areas, they include: 1) remote agricultural districts where the climate is rather harsh and where transportation access is often seasonal; 2) deforested areas that initially arose around timber production and have now lost any basis for economic activity; 3) rather well-off southern districts including Tomsky rural district that surrounds the city of Tomsk and whose proximity to the oblast center means easier shuttle migration, better services, accommodation of summer houses of the capital city residents (seasonal petty services in the informal sector). The allocation of natural resources also makes a difference in rural areas as it affects consumption smoothing strategies of their populations. For example, residents of rural areas located along rivers are highly engaged in fishing, while those from southern rural localities use wider opportunities for the collection of wild-growing plants and berries.

The main determinant of the pace of economic growth in Tomsk oblast is its mineral resource industry. Oil extraction and refinery, oil-based chemical industry, non-ferrous metallurgy and some machinery create 70 percent of the total industrial output. The very existence of several settlements, including Seversk, Strezhevoi, Kedrovy depends solely on these industries. Given favorable oil prices and the post-devaluation effects, the export of mineral resources has been generating substantial revenues for the regional budget, up to 15 percent of GRP. Oil extraction alone contributes about a third of tax revenues to the consolidated budget. At the same time, such a structure of the regional economy puts Tomsk oblast at high risk of non-viability and quick collapse, should resource prices drop or when some non-renewable resources become

depleted. An aggravating factor is that a number of mono-industrial settlements (40) are unfortunately virtually non-viable in a market economy.

The economy has been growing since 2000 by about nine percent annually and it improved some macro-level welfare indicators. Retail trade turnover has been growing by three to four percent annually. Sales of cars, high-end goods, furniture, home appliances boomed in 2002, with retail turnover reaching 1754.4 mln Rubles. The volume of trade per capita in the same year differed within the oblast, reaching high level of 30,000–35,000 Rubles in localities dominated by the petrochemical industry and in the capital. In some rural areas, however, per capita trade did not ever exceed 10,000 Rubles. The transportation infrastructure, despite increasing amount of services provided, remains one of the serious impediments to development. The main transit routes—the trans-Siberian railroad and “Ural-East-Siberia” highway—go through the neighboring regions, increasing the remoteness of the oblast. In addition, internal transportation development indicators for Tomsk oblast are substantially lower than the Russian average or Siberian Federal District data. Not all districts of the oblast are connected through regular transportation means, many municipalities are only seasonally accessible through air transportation or by river.

A comparative analysis and grouping of regions by poverty indicators done by the ILO puts Tomsk oblast right in the middle of the five-step ladder that goes from the “regions in severe crisis” to the leaders including Moscow. Tomsk oblast falls into the group of “middle-zone regions where poverty levels are close to the Russian average.” Interestingly, a study by a Russian scientist Natalia Zubarevich (cited from the conference conducted in Tomsk oblast in April 2003) showed that Tomsk oblast takes the 10th best position among Russian regions in terms of the UNDP Human Development Index. This is mainly because of high percentage of educated people in the oblast population.

Annex 2. Scores of Municipal Development for Tomsk oblast

	Municipality	Economic development score	Demographic situation	Incomes of the pop. score	Fiscal burden from privileges	Labor market score	Housing sector score	Health sector score	Education sector score	Crime situation score	Remoteness score	Composite development index	Composite development index without crime score	Composite index of attractiveness
1.	Alexandrovsky	38	83	39	66	65	26	51	41	65	10	53	51	33
2.	Asinovsky	21	30	24	40	72	67	33	61	40	63	43	44	50
3.	Bakcharsky	19	40	34	40	68	24	46	46	90	33	45	40	37
4.	Verkhneketsky	26	60	31	66	32	21	48	54	55	30	43	42	36
5.	Zyryansky	23	43	30	30	63	32	37	40	35	70	37	37	42
6.	Kedrovsky	69	70	57	92	62	87	38	85	55	23	68	70	58
7.	Kargasovsky	66	57	37	32	37	35	43	46	80	23	48	44	37
8.	Kozhevnikovsky	36	40	29	56	33	34	28	74	100	90	48	41	51
9.	Kolpashevsky	28	20	51	28	67	46	50	52	10	43	39	43	49
10.	Krivosheinsky	24	47	31	28	38	36	38	41	45	63	37	36	42
11.	Molchanovsky	17	33	32	34	52	41	44	79	10	47	38	42	49
12.	Parabelsky	28	40	48	36	50	39	40	49	60	23	43	41	40
13.	Pervomaysky	26	37	23	40	25	27	48	44	30	43	33	34	37
14.	Strezhevoi	91	97	69	82	83	94	59	65	20	10	73	80	60
15.	Teguldetsky	19	60	28	24	63	10	32	40	70	37	38	35	29
16.	Chainsky	19	47	19	32	40	33	36	41	35	50	34	33	36
17.	Shegarsky	23	37	31	58	42	39	29	47	60	93	41	38	48
18.	Tomsky rural	73	57	46	26	82	56	23	70	50	87	54	54	56
19.	Tomsk	60	67	74	40	75	77	86	75	35	100	65	69	82
	Average	37	51	39	45	55	43	43	55	50	49	46	46	46

Annex 3. Change of Municipal Scores Resulting from Modification of Index Formulas

	Municipality	Economic development score	Demographic situation	Incomes of the pop. score	Fiscal burden from privileges	Labor market score	Housing sector score	Health sector score	Education sector score	Crime situation score	Remoteness score	Composite development index	Composite development index without crime score	Composite index of attractiveness
1.	Alexandrovsky	+1	0	0	0	-7	0	-36	-24	-2	10	-7	-8	-21
2.	Asinovsky	-16	0	0	0	+4	0	-10	+6	-3	63	-2	-2	+3
3.	Bakcharsky	-24	0	0	0	+4	0	-26	-24	-7	33	-9	-8	-13
4.	Verkhneketsky	-2	0	0	0	-8	0	-13	-4	-2	30	-4	-3	-6
5.	Zyryansky	-30	0	0	0	+7	0	-27	-48	+2	70	-11	-12	-11
6.	Kedrovsky	-22	0	0	0	+10	0	-36	0	-5	23	-6	-6	-18
7.	Kargasoksky	-8	0	0	0	+9	0	-22	-19	0	23	-5	-5	-14
8.	Kozhevnikovsky	-26	0	0	0	+7	0	-22	-4	0	90	-5	-6	+3
9.	Kolpashevsky	-19	0	0	0	+3	0	-14	-6	-3	43	-4	-4	-6
10.	Krivosheinsky	-24	0	0	0	+8	0	-30	-32	-2	63	-8	-9	-10
11.	Molchanovsky	-26	0	0	0	+2	0	-26	+6	0	47	-5	-5	-5
12.	Parabelsky	-4	0	0	0	+10	0	-16	-19	0	23	-4	-4	-13
13.	Pervomaysky	-5	0	0	0	+9	0	-32	-39	+3	43	-7	-8	-16
14.	Strezhevoi	-5	0	0	0	-1	0	-20	+20	0	10	-1	-1	-12
15.	Teguldetsky	-12	0	0	0	+7	0	-9	-33	-7	37	-6	-5	-9
16.	Chainsky	-20	0	0	0	+10	0	-6	-17	-8	50	-4	-4	-2
17.	Shegarsky	-24	0	0	0	+10	0	-34	-16	+3	93	-6	-8	-1
18.	Tomsky rural	-17	0	0	0	+14	0	-13	-13	+3	87	-2	-4	+1
19.	Tomsk	-18	0	0	0	-1	0	42	+30	+18	100	+8	+6	+22

Designing a “Scorecard”

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NOTES

- i. The collection of municipal statistical information, expert consultations, and design of composite indices used in this work were performed under a USAID-funded project that supported the development of a poverty alleviation strategy for Tomsk oblast in 2002.
- ii. It should be noted that municipalities are not a part of the state governance, they are independent self-governance authorities, while according to the rules of Goskomstat operations, most of statistical information is open only to state departments and agencies.
- iii. Such efforts are undertaken at the federal level, where Goskomstat, Ministry of Labor and Social Development, Ministry of Economic Development, The World Bank, and DFID are involved in a series of projects strengthening the state statistical system.
- iv. Tomsk oblast authorities expressed a firm intention to design a complex monitoring system that would provide timely, regular and comprehensive enough data to generate local level and regional level information for policy purposes in the area of social development.
- v. Prosperous industries include fuel, chemical, and petrochemical industries.
- vi. Privileges are in kind benefits or free services provided to the population by companies funded from public budgets.
- vii. Annex 3 compares the results obtained by the initially proposed formulas to those finally agreed by regional authorities.

Those Left Behind: Trends of “Demodernization” and the Case of the Poor in Post-Communist Hungary

JÚLIA SZALAI

INTRODUCTORY REMARKS

As is well documented by a wide range of studies, the so-called post-communist era of the 1990s has brought dramatic increase in both the extension and depth of poverty in all the 28 East and Central European countries formerly under Soviet rule (Bunce 1999; Jones and Revenga et al. 2000; UNICEF 2001). Hungary is no exception in this regard. Although the country belongs to those few within the region where the proportion of the poor remained below one-third of the population even in the most critical years of the transition and the accompanying “transformation crisis” (Kornai 1994), nevertheless, the tendencies of steady expansion and the concomitant deepening of poverty have characterized Hungarian society much in accordance with the “general rule” (Jones and Revenga et al. 2000: 31–64) of the process of post-communist transformation.¹

The endurance of these tendencies seriously questions the still prevailing reasoning, which considers poverty merely an “unpleasant, but unavoidable” cost of the necessary transformation from a command-ruled economy to a market-regulated one, and argues for the near-automatic disappearance of the phenomenon with economic recovery. The statistical figures reflecting the country’s recent performance sharply contradict any such expectations. From 1996 on, the major indicators of the state of the Hungarian economy—the yearly growth of the GDP, that of the average real wages, and also those on overall expenditures on consumption—have shown clear improvement on an aggregated level (Central Statistical Office 2003). Nonetheless, the poor have apparently

fallen short of all these developments: neither their numbers, nor their living conditions have indicated any advance. In fact, with the definite betterment of the conditions of the fortunate majority, their relative positions have even further worsened during these years.ⁱⁱ

If poverty shows such a high degree of “immunity” to economic progress, then one feels compelled to ask a few questions about its character and also the factors that keep it alive. In what follows, I will attempt to show that the *persistence* of poverty should not be owed to the play of the market. Instead, it follows from those centrifugal mechanisms pushing the disadvantaged aside under late socialism which have been left in work in an unchanged manner ever since, while no political efforts have been made to set up the necessary institutions and programs for halting the speedy downward move of the victims of the process. The two related developments of inherited deprivation and newly rising neglect have created a socio-economic vacuum situation for the most vulnerable groups of Hungarian society and have contributed to the spontaneous “demodernization” of poverty.ⁱⁱⁱ Along the sharp social divides that the controversial “demodernizing” tendencies of post-communist transformation have produced, intensive geographical segregation of the poor has taken place during the past decade. A closer look at the old-new “pockets of deep poverty” will reveal the salient importance of two types of grave spatial differentiation in this regard: the (re)emergence of ghettos in urban settings, and the concurrent deepening of the urban/rural split in adaptation to the challenges of the market.

As a series of recent surveys clearly demonstrate, the concentration of the poor in urban slum areas and in the once remote small rural settlements have given rise to community-level social exclusion by blocking participation of the respective groups of inhabitants in the ongoing mainstream social and economic processes. In addition, the intertwined effects of social and physical exclusion have led to the creation of remarkable fault lines of social integration in contemporary Hungary, carrying serious dangers for long-term democratic development. In the closing part of this chapter, I will outline some of these dangers by pointing to the malfunctions of the recently set up local institutions in tackling the ever more tensed community relations between the successful majority and the failing minority of the persistently poor.

THE HISTORICAL ROOTS OF CONTEMPORARY POVERTY

Recent studies on the causation and the composition of contemporary poverty in Hungary unambiguously came to the conclusion that the phenomenon cannot be understood without identifying its roots in years and decades before the 1990s (Andorka and Spéder 1994; Solt 1998; Szalai 1998; Ferge 2000; Havasi 2003; Szociális Szakmai Szövetség 2003). It has been amply demonstrated by data on the personal history of the post-1990 changes in one's living conditions, education, and employment, spatial move within the country, and mobility in general that, in the overwhelming majority of the cases, people rarely "dropped" into poverty without due antecedents in their earlier life under socialism. True, the first years of the transformation have brought about a sharp recession of the economy and, together with it, a significant decline in the living standard of the majority of Hungarian households. However, there were remarkable differences in the long-term effects of the crisis that call for a careful differentiation between *transient impoverishment*, on the one hand, and the forming of a social status called *chronically poor*, on the other.

As to the first case, even in those situations when cuts in wages, unfavorable changes in one's position in the labor market, illness, or temporary unemployment of one or another member pushed the family below the poverty line for a limited time, impoverishment remained restricted only to the customary levels of cash flow and daily consumption (and one can add: further worsening of the family's financial situation usually could be slowed down by mobilizing earlier savings and assets). With economic recovery, these merely income-bound forms of impoverishment have vanished, and the affected social groups quickly regained their earlier socio-economic positions in the lower middle and middle echelons of the country's social hierarchy.

Such an automatic return to the normal paths of daily living did not take place, however, in significant parts of Hungarian society. As longitudinal household surveys run between 1991 and 1998 show, some 36 percent of those living on less than half the per capita income in the early 1990s were in the very same situation of deep poverty also toward the end of the decade (Spéder 2002: 79). In other words, in more than one out of three cases, poverty had other roots and causes beyond the temporary loss of income. Therefore, it has to be seen that the current status of the latter group is not simply a consequence of "impoverishment" in materi-

al terms. Rather, it seems to follow from the unbroken reproduction of permanent—and complex—social disadvantages.

Although for a number of political and ideological reasons,^{iv} poverty was not a publicly acknowledged phenomenon under state socialism, sociological and ethnographic studies of the time accumulated a rich set of information to assist us in its historic reconstruction. The then nearly invisible (but certainly gradual) differences among the later successfully adjusting and failing groups of the non-poor and the poor, respectively, evolved in the early 1970s, when the communist leadership in power introduced some innovations into the daily functioning of the economy. The most important among them was the tacit acceptance of semi-legal forms of people's productive activities outside the socialist domain that contributed to the rise of a well-established middle class for those involved, and a simultaneous socio-economic degradation of those outside. Let me briefly describe the essence of the process and point to its long-term consequences in creating the split between the non-poor and the poor.

Driven partly by political motivations,^v partly by economic necessities,^{vi} Hungary's communist leadership was the first among the so-called Soviet-bloc countries to openly acknowledge peoples' rights to a limited degree of autonomy in defining, following, and realizing freely chosen economic goals of their own. If one fulfilled his or her duties in the socialist workplace (where participation was mandatory), and was disciplined enough not to speak up against the prevailing rules and regulations of the system, then that person was allowed to perform certain *additional* work for pay strictly within the framework of the private household. In other words, people got some political and social space to create their own family businesses *in addition to* their full-time presence and work in the formal domain. As a political concession of the otherwise totalitarian control over their entire life, they were permitted to perform production "at home," and sell the goods and services in the "market" of similar family units.

Although such cautious steps were far from introducing a market proper, the impact of the "liberalization" was enormous. By the mid-1980s, this "second economy" performed 68 percent of the country's yearly housing construction, gave roughly one-third of agricultural production and yielded no less than 25 percent of Hungary's annual export. In addi-

tion, it contributed with invaluable intelligence, efficiency, and working hours to the rapid modernization of the heavily deteriorated infrastructure and services of the localities: repair work in hospitals and nursery schools, road construction, the creation of local water and sewage systems took place in a number of innovative collaborative forms between the “official” and the “private” units of villages and towns throughout the country. By the late 1980s, participation in the second economy developed to a genuine social movement: put in population terms, no less than three-quarters of the families were regular participants of one or another “branch” of this peculiar private sphere, and some 18 to 25 percent of their monthly income came from such sources. Further, with its extension, the second economy gave rise to a remarkable accumulation in skills, knowledge, and qualifications. People gained practice in a number of fields and activities (e.g., a vast range of personal and communal services, management, input-output calculations, accounting, etc.) which could not be acquired in the units of socialist education and employment still driven by the stringent rules of the planned economy. On the grounds of the new skills and vocations, the second economy slowly opened up new and alternative pathways for occupational and social mobility, which later became important channels for a quick adaptation to the post-1990 conditions. In sum, the gradual “liberalization” of the classical rules of the game amid the still classical conditions of state socialism gave rise to deep-seated alterations of the economic and social relations by the late 1980s. As such, it importantly contributed to the peaceful collapse of the old regime, and made adaptation to the utterly changed circumstances a relatively painless process for the vast majority of Hungarian society.

Despite its successes, however, the second economy could not develop an all-embracing form of integration. As the above-cited data already indicate, some 25 percent of the families never became part of the “vast movement,” and never developed even loose ties to the activities of the second economy. Their outside position neither was chosen, nor deliberately planned by the “insiders”—it simply happened this way. However, the consequences turned out to be harsh. The roots of later chronic poverty and contemporary social exclusion have to be searched for around this momentum. All this can be interpreted in retrospect if we examine the preconditions that were needed for the successful creation of a way of life based on the two pillars of simultaneous participation in

the two economies, and the extent to which the “non-participating” social groups disposed of these prerequisites.

The first of the preconditions was the nature of the relationship between the informal economy and the formal one. As mentioned above, this was not a market system with its own institutional frames and rules, but one that could exist only if it was inseparably intertwined with the first economy. This geared-in character of production in the second economy gives the chief explanation, why the groups having only a loose or peripheral link with the socialist domain had very little chance of participation in the informal production from the outset, even if other conditions for this existed. They had no access either to independent capital or to time (the most important resource for the operation of the second economy) or to nexus or separate funds through special paths if they were not in important positions in socialist production. It is sufficient to consider that, with the compulsory eight hours of employment, the source of “free” time that could be used for production in the second economy in practice could only be the temporary or prolonged use of one of the benefits of social security (sick pay, childcare allowance, pension, etc.). However, access to these schemes required regular socialist employment over a longer period. In the same way: in the absence of market credit and private banks, with the given low wage level, the only way that the funds needed could be obtained was through enterprise or National Savings Bank loans, and these loans were given only to reliable socialist manpower loyal to the workplace. But not only funds and time were linked to a secure position held in socialist employment: the necessary acquaintances and the actual material “capital” had to come from there, too. All in all, it can be said that only those who had sufficiently secure and recognized positions in the socialist sphere were able to find a path to the relative independence offered by the second economy. The seasonal workers of heavy industry, the unskilled laborers who temporarily interrupted their employment in industry or construction in the hope of finding better earnings when there was seasonal work in agriculture, the Roma who could easily find themselves without a job for even minor misdemeanors, the truck loaders and drivers’ assistants who were known as “migratory birds” frequently changing jobs, never belonged in this category.

In their case, it was just as uncertain that they would meet the second precondition. A successful rise to the ranks of the “socialist middle

class” required a smoothly co-operating family work organization capable of responding to changing roles and tasks with a flexible internal division of labor. This cooperation above all required spatial proximity for the family to be able to organize home building, production in the household plot or even the same of produce in the markets. However, the family members who remained at home could not count on the manpower of those who commuted long distances to work returning home only in the weekends or had moved to a distant point in the country in the hope of better wages, while the latter could not count on effective help from the former. If there was no flexible, cooperating work organization, then there was no reliable background on which to base the exchange of labor that acted as a substitute for missing funds, and, thus, there was no possibility to accumulate capital and undertake long-term ventures requiring greater investment.

The third condition was integration in a community reaching beyond the family. Whether this was the workplace or place of residence, integration in the community obviously required a regular contribution to and a constant participation in its informal network. And this contribution involved a prolonged, or at least predictable, presence. In reality, perhaps because of this latter feature, this condition would not be regarded as separate from the former, if a whole cluster of segregated communities had not been created through the socialist forced mobilization drastically magnifying the country’s traditional regional inequalities and collectively excluding these communities from all possibility of participation in the second economy. In time, the social structure of these remote residential units became so distorted and stunted that the deformation turned to a separate factor, in itself preventing the system of mutual help described above from coming into existence. In the absence of an informal network, the basic conditions for any kind of attempt to break out towards the rising middle-class were lacking: the members “trapped” in these ill-shapen communities were practically automatically condemned to collective marginalization and then to lagging behind. As it will be shown below, such a collective misfortune proved to be the leading factor behind the later fatal impoverishment of the inner-city slum-areas populated by the migrant, unqualified labor force of rural origin, or the Roma residential areas (both urban and rural), and also the clusters of rapidly aging settlements.

It is important to note that the significance of the second economy—and especially of the complex system of relations organized around it—was not primarily the role it played in supplementing material sources. It is, however, true that in a period of rising inflation and drastically declining real wages, the alternative sources provided by the household-based economy were significant in maintaining the standard of living achieved through “independent efforts,” at least temporarily counterbalancing the losses suffered in the first sphere. But if the role of the second economy had been limited to this, then at the most those who were excluded from it would have had less and their impoverishment in reality would not have been more than a problem of inequality that could have easily been corrected later through measures of redistribution when the performance of the economy began to improve.

The real significance of the informal economy was, however, more than that: with the creation of its network the system of society’s important institutions was actually doubled and an alternative world was created. Thus, those who were forced out of it were in fact excluded from the possibility of participation in an alternative integration. As already mentioned, the informal economy built up a whole system of new occupations and services while at the same time, it provided a training that could not be learned in the institutions of the formal economy. It is sufficient to mention as an example the strikingly different use made of time in the two economies, the diverging rules for the management of materials and equipment, or the utterly different principles and practice of money circulation. In this sense, those who did not participate were excluded from an entire *culture*, and no formal schooling or training program could give them the hope of catching up. At the same time, their exclusion from the market culture also meant that they remained outside the networks of contacts that organized the mobility paths, the manpower exchange, the system of loans and mutual help of the informal world. And since these networks—or the social capital that informal relations and acquaintance embodied—proved to be even more important than material capital for successfully joining in the market when businesses began to be organized on a suddenly proliferating scale, the lack of contacts has resulted in the fact that the strata which had been in the past trapped in state socialism have entirely fallen behind the main body of society with the systemic change of the regime.

In light of the above-outlined processes that gradually led to the emergence of *structural differences* between those involved in, as opposed to those excluded from the second economy, let me turn now to the post-1990 developments which have converted the latter group's situation into persistent poverty. In what follows, I will focus on those constituents of the process of post-communist transformation which contributed to the uninterrupted reproduction of their disadvantages and still block all efforts for breaking through the vicious circle of multiple deprivations. In the discussion below, I will also introduce those self-maintaining social and institutional mechanisms which further differentiate among the persistently poor and lead to the eventual social exclusion of the poorest and most deprived among them. As it will be shown, the latter situation of extreme marginalization is not a matter of poverty per se, but it implies far-reaching social and political disenfranchisement, and thereby endangers the very cohesion of contemporary Hungarian society. Hence, it is not only a set of important sociological characteristics that distinguish between the latter sub-groups and other communities of the poor, but the improvement of the respective social situations (the breaking up of the various forms of self-perpetuating reproduction of destitution) has departing implications for public policy as well. I will return to some of these implications in the concluding part of my paper.

FROM SOCIALIST INDUSTRY TO THE MARGINS: VARYING ROUTES INTO PERSISTENT POVERTY AMID POST-COMMUNIST TRANSFORMATION

The largest among the persistently poor groups of contemporary Hungarian society consists of members of the one-time socialist working class. The downslide of the group as a whole started with the collapse of hundreds of those giant industrial firms which neither could keep pace with intensified competition on the market, nor could be sold out in the privatization-boom after 1990—thus, had to be closed down at large. With such stringent decisions of the market, huge masses of the once highly praised socialist proletariat found themselves thrown out of history, and seriously questioned in all achievements of a lifetime. However, the better qualified and those with skills, knowledge, and contacts back from their preceding experience in the second economy usually had some way out: after difficult years of adaptation and

temporary financial losses, most of them successfully detected the paths to re-employment in one or another segment of the quickly proliferating private economy (Laky 2003).

However, the losses have proven enduring, even fatal for those without proper qualifications—some 30 percent of the workforce of the one-time large factories. They are those low paid semiskilled and unskilled workers and their families who had given the core manpower of mining, heavy industry, construction and industrial services. Typically, they had come from rural origin, but gradually changed farming for employment in the rapidly expanding firms that embodied the contemporaneous program of the Communist Party in the 1970s: the socialist way of “industrializing the countryside” (Kemény 1990).

At the call of the program, hundreds of thousands of such former workers in agriculture decided for a radical change. Step by step, they gave up daily/weekly commutation, sold all their assets, and moved into the outskirts offering relatively cheap housing in the towns of employment. Urban citizenship seemed a great advancement in terms of family-history: hence, they became the most loyal and most “reliable” members of the regime—regardless of active membership in the Communist Party or the lack of it. As “founders and champions” of socialism, they took the prevailing regulations by wording: they used only the “official” channels for gaining minor rewards and benefits, and refused any risky side-door solutions, tacit withdrawal for the sake of second economy activities included. When becoming sick or retired, they remained dependent exclusively on the state-provided schemes of social security. With the gradual “alteration” of it,^{vii} their proceeding downward the financial and social scale was unstoppable. Thus, the collapse of the regime found them already remarkably impoverished, which situation has grown to chronic poverty with the rapid “desertion” of the state^{viii} in the first phase of post-communist transformation.

Hopeless dependence of the group on the quickly withering old sources and forms of living turned into deep destitution with the sudden shock of economic restructuring. In lack of suitable knowledge and skills, these most loyal members of the once indispensable working class abruptly found themselves on the dole. The more advanced they were in age, the smaller were the chances for getting access to decent and stable jobs again. For those above the age of 40 at the beginning of the systemic

changes, the opportunities for re-employment after dismissal, the channels for retraining, or the potentials for acquiring new skills in a new job sharply dropped, and approached nil over a decade.^{ix}

Extreme segmentation on the official labor market has further intensified the state of chronic poverty of the concerned group. The steady decline of employment after 1990 has forced the more fortunate people who still remained hired to pick up as many jobs as they could manage, and also to take the “better” positions in what once was an informal economy. Hence, running from one place of employment to the other during the extended working hours of the day has become the new norm of lifestyle among them. The quick spreading of the new conduct had its rationale: simultaneous engagements have proven the most efficient way of coping and to avoid even temporary impoverishment, further, also to counterbalance the general absence of job security.

However, the multiplication of “white” jobs as the dominant way of successful adaptation had its backlash. Such a concentration of the available opportunities for employment in the hands of the middle and upper strata drove the less qualified and less competitive groups out of the formal sector, forcing them into the “black” underground economy. By today there is practically no way of moving between the two (“white” and “black”) worlds of labor, and as a result of this extreme segmentation, there is no way out of the latter. This is particularly true if “breaking out”—taking a regular job in the formal sector—means entering the mainstream workforce through the most poorly paid work on its peripheries. While doing so would offer a regular income and perhaps more stability, it would not mean more money. And there would be huge losses on the other side of the balance sheet. There is a constant risk in these marginal positions that a job appearing secure at first will be lost soon, while in the meantime, informal job-seeking contacts that were renewed daily while jobless will eventually dry up, and any aid received will be cut automatically when a person gets into “real” employment. Amidst all the diverse and short-term reasons for not seeking a job, the paramount factor locking people into the situation is, however, the actual clandestine work they are doing, which keeps them busy for many long hours a day (Vági 2002). The outcome of such a circular situation is an ever-harsher captivity. Imprisonment into the world of “black” labor produces further erosion of social con-

tacts that could help in breaking out, a feudalistic personal dependence, no social protections, and a resulting deepening of vulnerability—in short, a final exclusion from mainstream society that has become irreversible in all the demodernized aspects of the struggle for survival.

Nevertheless, the losses have not been restricted to work and the finances of daily living. With the collapse of their place of employment, the fired semiskilled and unskilled workers largely lost also the broader supportive network around them. This followed also from the twist of history. Before 1990, it had been the earlier mentioned industrial giants which had provided them with housing, health care, companion and broader community, care for the children, and cheap loan to overcome minor difficulties. All these have gone with the closure, and nothing could come in substitution. Thus, sudden detachment of the affected people was a tragic, though natural result of earlier developments. When looking around for a replacement, people had to recognize extreme social isolation.

Their ancient rural ties had been cut off decades before, and members of the old community (kin included) had been spread in all directions in a similar search for better living under late socialism. Further, the move from the rural to the new industrial-urban setting was a decision of the *individuals* (even if the process took the size of mass-mobilization during the 1970s), while keeping these former rural workers—as anybody else—apart from any spontaneously rising collectives was a high priority in the eyes of the ruling communist regime. Thus, the moves were highly controlled, sometimes even policed. As a consequence, those in question paid for upward socio-geographic mobility with being deprived from *all* meaningful community-relations from the outset. Massive solitude was embodied also in physical appearance: the typical working class housing projects of the socialist industry offered the depressing sight of tens of thousands of individualized small flats for people not knowing even the surname of their immediate neighbors.

Amid the swift privatization of the housing stock on these huge housing estates in the early 1990s, people suddenly found themselves under the cumulated pressures of decreasing income, sky-rocketing rents and charges for (once public) utilities, and the total lack of supportive communities to assist (Czike and Vass 1998). There were basically two major variants of attempts for breaking out of these traps,

though both of them have concluded much in the same outcome: further downward move on the social scale.

Those hoping for the return of better times at least in their children's future—the majority of the group—made all efforts to stay. Beyond cuts in spending for food, they restricted clothing, heating, purchasing of services: in short, made all the possible daily deeds to countervail the rising living expenses by minimizing personal consumption. There was one single drive behind all these sacrifices: urban schooling and living for the children had to be guaranteed at all cost. Nevertheless, the efforts frequently were in vein: restrictions in consumption could not counterbalance gradual indebtedness for unpaid rents, electricity and heating bills. Since neighbors on the huge estates were much in the same situation, the swift downgrading of the houses on these working class colonies has rapidly turned the site to urban slums at their worst, which have been ever more often visited by the police, the eviction authorities, and which have been left by all the public services within a short while—the relatively good public schools and local health care units included. As a consequence, the earlier motivation to stay has turned by today into the cause of imprisonment into a hopeless collective state of destitution. In the lack of resources, people cannot leave any more; in the current condition of the environment, nobody shows willingness to “buy” them out; and in the lack of political willingness and accompanying public funds, even the most cautious hopes for a better future wither away. It perhaps goes without saying that the initial dreams about the children's bright future had to be buried years ago: recent reports on the jump of youth unemployment rates, the incidence of drug-consumption and juvenile delinquency on these run-down colonies clearly indicate the intergenerational transmission of mass poverty instead (Hoyer and Rácz 1995).

The second route has led to different—though equally grave—outcomes. A smaller, yet increasing, group of the persistently poor urban workers thought to find a way out through a risky experiment of returning to the old roots (Central Statistical Office 2003). After long years of endless daily struggle, they had come to the conclusion to change: sold their apartment at low price, paid the debts and left. The remaining only chance for them was to buy a cheap, usually decrepit, house somewhere in the remote rural areas where housing prices dras-

tically dropped with the decline of agriculture (Juhász 2003). With this new move, people deliberately gave up all expectations for a better future: the immediate goal was sheer survival. True, this way daily life has become certainly less expensive for them. However, the extraordinarily high rates of unemployment, the closing of even the remnants of the old state-run agricultural firms and cooperatives, the lack of public services—including local schools and health care—and the dramatic poverty of the *entire* community has locked also this second sub-group of the one-time urban workers into persistent and ever-deepening poverty (Bíró and Laki 2001; Laki 2002). It is needless to say that the outlook of their children is no better either. Recent statistical reports on the rising number of secondary school dropouts or the young unemployed in the poorest villages, indicators of seriously deteriorating health even among the younger age-groups in the smaller settlements signal the gradual worsening of the situation *en masse* (Central Statistical Office 2000; 2002).

The roads leading to ever-deeper chronic poverty described so far are typical and valid for large numbers of people. Nevertheless, as indicated, they are manifestations of courses and traps that ensnare families and individuals as separate entities. The greater proportion of people involved—the one-time upward mobile landless peasants, rural workers, village servants, or their descendents, who all failed to become integrated parts of the urban society—cite the individual nature of their plight when interpreting their own case, just as mainstream society views these life histories as individual matters. But there is a source of persistent poverty and a vast group of affected people where it is clear to everyone that the primary cause is a *collective* destiny, which individual and family efforts might be able to alleviate, but not resolve. This is the case of the Roma society, whose dramatic squeezing to the margins—based on ever-harsher mechanisms of ethnic or racial discrimination—bears upon the community in its entirety.

As to the origins of the current state of affairs, one has to search the roots, once again, in the days of state socialism. It has to be noted, however, that this collective path to destitution followed partially different routes from that of the “white” working class. On top of the coercive way of creating the entire socialist working class, in the case of Roma, it had been the dead end operations of harsh forced assimilation which

later produced the masses of victims of the post-communist transformation whose dramatic poverty has been impregnated with sharp discrimination and exclusion on ethnic grounds.^x

It was by no means accidental that the launching of the Communist Party's first comprehensive program for quickly assimilating the Roma was initiated by two developments of the early 1970s. The first among them was socialist industry's unlimited appetite for cheap labor, of which Roma represented the *very last* available source. The second development was partly a consequence of the first, and partly the result of separate political considerations. On the one hand, it was motivated by the fact that the living conditions common in the Roma wretched settlements constituted a "political time bomb" for the system because they represented a refutation of both the post-Stalinist consolidation policy of the late 1960s and the program of "improving living standards for all" which formed its foundation. On the other hand, it was also unacceptable to the regime that Roma should live in separate communities (as they had been forced to do so for centuries) because, paradoxically, that kept them outside the various domains of totalitarian control, among which, under the "soft dictatorship" of the 1970s and 80s, it was no longer the police station and the prison, but more the schools and the workplace which were the most important. However, by getting "inside" the socialist workplace in the space of a decade—the 1970s—Roma became socialist employees just like any other and so party to all their concerns and entitlements. They became subject not only to the direct and intensive control exercised through the employer but to the same kind of remuneration to which any other socialist worker was entitled—in other words, they attained that kind of "membership of society" which the system unequivocally bound in with compulsory employment.

It is important to emphasize that, despite all its highly controversial aspects of enforcement, compulsion and policing (all so typical of the time), inclusion in the forms and structures of the mainstream was an entirely novel and unprecedented experience of this kind in the 500 years of history of Hungarian Roma. Although the imposed process of "elevating" them took place under the measures and timetable of a totalitarian state, the programs mandating school attendance and work and efforts to eliminate earlier rural Roma colonies did open the way to *real* social improvement. This is despite the fact that the social positions accessible to

the majority of the community were still on the social periphery (but on the near side of the demarcation line). Studies among Roma in the 1990s verified that these developments led to birth control, which became generally accepted in the 1980s, to a slight improvement in their health status, to a learning of trades, and above all, to schooling for children becoming accepted as a norm (Glatz and Kemény 1999).

The post-communist transformation slammed the door on these promising processes. Entire communities of Roma were the first to be pushed out of the mainstream. As far as settlements were concerned, they were demoted to the isolated rural pockets already described or to their urban counterparts such as outer district housing projects that were deteriorating into slums or the rising inner city colonies of poverty. As for employment, the Roma have lost all chances to stay in the official labor market, and have been squeezed out even from most of the “black” work in the informal segment of the economy. Their only route open led to the manpower centers and the local welfare offices. First they filled the corridors by queuing up for unemployment benefits, and after entitlements to assistance ran out for practically all of them, they have been transferred collectively into the newly founded community service programs for mandatory public work at minimum wage. The destiny of the children is similar to that of their parents: they have been shamelessly promoted into special education classes or separate schools to “ease” public education from the burdens of racial conflicts. As years pass, the paths of teenage Roma do not point toward reintegration into the majority either. Instead, they appear in increasing yearly numbers in various institutions maintained for juvenile delinquents, homeless shelters, homes for the ill, orphanages—all run for people without any decent alternatives. Obviously, all these different paths to destitution end up in police stations and penal institutions—the last resorts to (re)establish majority control over a different “non-obedient” racial minority.

The poorest of the poor and the most excluded among the excluded are, however, those substantial groups within the Roma community, who had been the late comers of socialist industrialization, thus, just joined into the minority’s peculiar urbanization/industrialization project before the turn of history of the 20th century. In the late socialist years, these people constituted the one time easily mobilized “reserve forces” of heavy industry and construction; they were called upon when needed and sent

back to the village when there was no demand for their labor. In adjusting life to the pulsation of production, they commuted to the capital (Budapest) and other cities weekly, finding employment and a place to sleep as they moved. During these periods, they stayed in the shabby workers' hostels provided by the employer, and were moved on like objects when needed at another place.

Their role and sustenance disappeared from one day to the next when the factories in question were divided up, privatized, or closed down. By the time the change occurred they had no place to go. Long years of commuting had destroyed family ties and weakened the one-time community safety nets, which, by their very nature, prevented new communities from evolving or from being admitted. Tens of thousands of these (if not exclusively, but dominantly Roma) people found themselves literally on the street. Not only had they lost their livelihoods, but along with that, they found themselves without a place to live and deprived of healthcare, study opportunities, and all supports needed to alter their lifestyles. Today, most wander aimlessly from homeless shelter to homeless shelter, and if they are ill, social workers have to wage major battles to get hospitals to take them in for at least a few days of emergency care.

It is important to stress that, despite the gradual differences among the poor and the poorest, the factors behind the varying forms of mass exclusion of the Roma always have been the same. When the brackets holding together the state socialist program of forced assimilation fell apart, true aspirations for assimilation lost their legitimacy in the eyes of the non-Roma majority and, with that, a program for "ethnic restoration" got the green light as the majority was struggling to counteract impoverishment. That rapidly shoved the Roma back into their pre-industrial excluded position. The spontaneous exclusion bolstered by the transformations of social security and welfare included setting up an institutional framework through decentralizing all the provisions that earlier had been guaranteed and distributed through central schemes. As a result, the dysfunctions of aid and local welfare assistance triggered by this framework of extreme decentralization and manifest in a battle for support between Roma and non-Roma poor, has been considered an "internal" affair of the localities and an "internal" duty for their administration to handle. It is hardly a surprise that, lacking appropriate legal protection for the minority, the local responses have been impregnated with all the hatred, emotions, and racial

prejudices that forced assimilation could bring about. Thus, with the support of the majority behind them and in the name of justice and efficient management, the local governments have introduced behavioral principles to refine welfare entitlements, and ultimately offered “well-established” excuses to exclude the “parasitic,” “non-behaving,” and “over-consuming” Roma members of the community. It is easy to see that such harsh acts of discrimination have further contributed to the squeezing of large groups of Roma into third world type poverty. In addition, deprivation of basic rights and entitlements has worked as an efficient factor in creating the Roma shantytowns around the once blossoming industrial cities and has initiated intense mass-migration of them from one place to the next—all over the country.

Finally, a framework encompassing all this was supplied with the establishment in 1994 of new institutions of minority politics, the *local minority authorities*. They were granted slight legal authority, which left a gap in the functions of these new institutions (Molnár and Schafft 2003a). In the last eight to 10 years that gap has been filled by transferring welfare tasks involving the Roma from local governments to the minority authorities, turning them into purely ethnic issues. Today an entire set of (pseudo)jurisdictional authorities, sanctified by local ordinances and ad hoc regulations, have legitimized the complete separation of minority issues from the body of majority society (Molnár and Schafft 2003b). In other words, an exclusion that is rapidly becoming ghettoization now has the legal framework to sustain it (Horváth, Landau, and Szalai 2000).

With this latest development, ethnic exclusion has become more dominant than exclusion caused by poverty per se. The new institutionalized processes have ethnicized the marginalization of the poor strata of Roma to the extreme, although these situations are quite similar to many non-Roma and introduced to them as the internal affair of a minority group. However, this way the social division along the lines of poverty expands to a huge rupture of the social structure along the lines of color. It is easy to consider that such a threat to the cohesion of society calls for actions much beyond the scope of traditional welfare policy.

CONCLUSION

In this chapter, I attempted to outline those historical processes that were the foundation for the subsequent expansion and deepening of chronic

poverty. I argue that the previous regime's denial of poverty as a *political* issue has had serious implications for both the spontaneous expansion of the phenomenon and the continuing political neglect surrounding it. One of the most troubling post-1990 consequences is that poverty has been considered foreign to the emerging system. The belief in the transitional nature has covered up the difference between mass *impoverishment* and *persistent poverty*. In addition, there have been important interests at work here: the need to dismantle an overcentralized state in order to rapidly create the institutional framework for marketization has been a major reason why the poverty problem has not been understood in its internal complexity and, furthermore, why the issue has not been put on the political agenda. After all, public expenditures can be reduced with little resistance if only the "truly needy" are assisted and if only for a "truly needed" period of time. This policy suggests that poverty is "accidental" and individualized and that the victims can be blamed for the persistence of their state. Another, more practical—though equally serious—consequence has been the segregation of a specialized organizational network for poverty management. Institutional reforms have created a huge web of decentralized institutions, which have cut off poverty from other social problems. The social nature of poverty has thus been hidden under the guise of individualization as well as by transferring administration to small communities. At the same time, these measures have anchored lines of demarcation between mainstream society and the poor, by establishing almost completely segregated facilities to serve the poor (residential areas, schools, healthcare offices, stores etc.), which reinforce their exclusion. In addition, the speedy proliferation of the system of institutions "only for the poor" has contributed to the squeezing of the groups in question into "demodernized" conditions under deeply autocratic social relations.

This situation was analyzed in this chapter also through the lens of the internal stratification of the poor. The analysis drove us to conclude that, as a result of mass impoverishment in the first half of the 1990s, there have been vast groups of income poor people in Hungarian society (e.g. retirees, low-income families, parents of young children) who have suffered serious financial losses for some period of time. However, since their bonds to mainstream society were not irrevocably severed, their situation could be resolved through more generous redistribution and economic expansion. On the other hand, there is another large

group of the poor whose poverty is more complex than merely a matter of income. The persistently poor and the socially excluded are the ones with seriously loosened or lost ties to the mainstream. They are in a chronic state of deep poverty from which escape has become almost impossible by now.

Low-income people without families, or whose families are in a state of collapse, are in particularly dire situations. Others, who are unskilled and come from less competitive strata and have been driven off the increasingly limited labor market to lock themselves into the underground economy, are in a similarly ominous position. There are also two groups that have collectively been hit by persistent poverty. It has been almost impossible to break out of tiny pockets of isolated settlements and of regions particularly depressed by mass unemployment. Similarly, the victims of forced assimilation, primarily the Roma poor, who make up the decisive majority of their ethnic community, have found it nearly impossible to escape persistent poverty.

As to the ever more visible internal stratification of the society of the poor, it is important to point out that the processes not only threaten to maintain poverty and exclusion, passing it from generation to generation, but are putting *social integration* itself at risk. An effective stance—coming in the final seconds of the 24th hour—to counter exclusion would be much more than a victim-specific intervention. It is an issue that goes well beyond the competence of specialists who work with these groups *ex officio* and of social policy decision makers. Precisely because of the menace of disintegration we are looking at a *public issue* in the most powerful sense of the term. The stakes involved in accepting it as a public issue or continuing to allow the spontaneous processes to operate freely are very tangible—nothing less than joining the European Union may lie in the balance. Though the long-term defense of democracy and protection of all human rights without discrimination have been regularly put on a back burner because of the urgency of current tasks, the European Union question should be a sufficiently powerful pragmatic argument to trigger action.

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NOTES

- i. A few facts may highlight this statement. As to the *extent* of poverty, calculations based on a set of statistical indicators (the ratio of those below the subsistence minimum; the ratio of the population living in households with less than half the average per capita monthly income; indices of poor/unhealthy consumption; etc.) unequivocally point to the widespread presence of the phenomenon in contemporary Hungary. Depending on the conceptual differences in measurement, the actual figures may vary. However, the statistics show that the ratio of the poor fell within the range of 12 to 30 percent throughout the entire decade of the 1990s, and no decrease has been signaled ever since. As to the *deepening* of poverty, a clear indicator of this is the fact that the estimated yearly number of those evicted because of accumulated liabilities was some 10 times higher in 2002 than a decade before. One can add to this that the rates of unemployment have been consistently five to eight times above the national average in the poverty-stricken communities of the most remote northern and southwestern parts of the country. Further, although the yearly number of births has been steadily declining since the late 1980s, the number of

children put under state guardianship due to their families' incapacity to provide basics for upbringing has grown to a level three times higher in 2000 than a decade before (Spéder 2002; Central Statistical Office 2002; Central Statistical Office 2003). In the second part of my chapter, I return to the systematic discussion of these and related symptoms of the emergence of a separate "second world" of the chronically poor, and will attempt to explore those deep-seated factors which contribute in an interrelated manner to its reproduction.

- ii. The worsening position of the poor is clearly indicated by the statistical measures of income inequalities. Calculated on the grounds of subsequent yearly household income surveys, the Gini coefficient had been 29.50 in 1991, while it jumped to a level of no less than 33.12 by 2001 (Szívós and Tóth 2001).
- iii. By the term "demodernization," I refer to the reappearance of a number of symptoms indicating a backward turn away from the civilizing achievements of the past decades, accompanied also by the re-emergence of old preindustrial relations between the non-poor and the poor. The most dramatic symptoms can be seen in the world of work, where masses of the long-term unemployed have been squeezed into low-paid casual jobs or various forms of black market labor—all without even minimal legal and welfare protection. Such kinds of insecure labor involve extreme defenselessness in a traditional master-serf relationship. This is especially the case in agriculture where the bulk of the jobs in question are being offered. Extreme defenselessness in labor and the concomitant endurance of poverty have led to the re-emergence of traditional preindustrial features also in consumption. As it turns out, from the data of the regular nationwide household surveys, indicators of the housing conditions of the poor have shown a decline in all the qualitative aspects of size, comfort, facilities, and environment. Further, a return to traditional (and unhealthy) elements in their diet, or serious cuts in spending on clothes all signal a return of old patterns described eloquently by the vast ethnographic literature on extreme poverty in the 1930s (for extensive discussions of this, see Solt 1998; Havasi 2002). In addition to this evidence, the most dramatic aspect of the "demodernization of poverty" appears in the field of communal relations. Spontaneous and intended moves toward physically separating the poor from the non-poor have led to the emergence of actual ghettos in the hearts of the declining industrial regions of the country. The accompanying criminalization of poverty has turned struggles over welfare into local warfare, thus endangering the poor's basic human and citizen rights. These most severe consequences and their implications for social integration and the proper functioning of the institutions of the new democracy of Hungary will be considered in more detail later in this chapter.
- iv. I have discussed these motivations and their consequences on contemporary poverty research elsewhere at some length (Szalai 1995).

- v. Liberalization around the turn of the 1970s was intended to find a working compromise with Hungarian society, which—in response to the defeat of the 1956 Revolution—did not give up its silent boycott against the regime that regained its power “on the points of Soviet bayonets” (see Szabó 1989).
- vi. A few years after the introduction of the first cautious economic reforms to raise efficiency and productivity, it became clear that, without providing a certain restricted role to the play of the forces of the market, the reforms would dramatically fail. The first steps toward the acceptance of the “second economy” were driven by these technocratic motivations. However, they smoothly matched also the political intentions of the time.
- vii. In the decades of late socialism, the schemes of social security became overexpanded and financially impoverished at the same time. In accordance with the political attempts of the Communist Party for tacit “liberalization,” the programs within the system were partially reinterpreted to provide semilegal paths and financial solutions for both the employers and employees to manage the manpower needs of the second economy, and still maintain central control. Such a “multiplication” in the functions of the social security system led to an unmanageable fiscal deficit that the post-1990 system inherited. This led to dramatic cuts and a redefinition of the rules of entitlement in the first half of the 1990s (for a detailed discussion, see Rein and Schmahl 2004).

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Her book, *The Myth of Marginality: Urban Poverty and Politics in Rio de Janeiro*, received the C. Wright Mills Award in 1976 for the year's most outstanding contribution to social policy and is widely used around the world by students and scholars of urbanization. Her many other publications include: "Grassrooting the System," which has been reprinted in over 40 publications; "Misconceptions about the Urban Poor and the Dynamics of Housing Policy Evolution" which won the Chester Rapkin Award in 1988; and "Marginality – From Myth to Reality, Rio's Favelas 1969–2002" to be published in *Urban Informality*, Lexington Press, fall 2003.

Prof. Perlman's experience in urban development includes serving as Coordinator of President Carter's Neighborhood Task Force on Urban Policy; Advisor to the World Bank Urban Projects Department; Executive Director of Strategic Planning for the New York City Partnership; Director of Science, Technology and Public Policy at the New York Academy of Sciences; and consultant to various non-profit and governmental organizations in the USA and abroad.

Dr. Perlman was a Fulbright Scholar for 2000–2001, is a member of the Council on Foreign Relations, and serves on the National Research Council of the National Academy of Sciences, as well as on various advisory boards and committees, including the World Bank's Urban Gateway and Global Forum.

BLAIR A. RUBLE is currently Director of the Kennan Institute of the Woodrow Wilson Center in Washington, D.C., where he also serves as a Co-Director of the Comparative Urban Studies Project. He received his MA and PhD degrees in Political Science from the University of Toronto (1973, 1977), and an AB degree with Highest Honors in Political Science from the University of North Carolina at Chapel Hill (1971). He has edited a dozen volumes, and is the author of four monographic studies. His book-length works include a trilogy examining the fate of Russian provincial cities during the twentieth century: *Leningrad. Shaping a Soviet City* (1990); *Money Sings! The changing Politics of Urban Space in the Post-Soviet Yaroslavl* (1995); and *Second Metropolis: Pragmatic Pluralism in Gilded Age Chicago, Silver Age Moscow, and Meiji Osaka* (2001). A native of New York, Dr. Ruble worked previously at the Social Science Research Council in New York City (1985–1989) and the National Council for Soviet and East European Research (1982–1985).

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JULIA SZALAI (PhD) is Head of the Department of Social Policy and Social History at the Institute of Sociology of the Hungarian Academy of Sciences, and, simultaneously, Professor of Social Policy at ELTE University, Budapest. She is the Editor of *East Central Europe/l'Europe du Centre-Est: Eine Wissenschaftliche Zeitschrift (ECE/ECE)*, a trilingual journal of the social sciences and the humanities, addressing issues of the East Central European region. She is also Chair of the Max Weber Foundation on the Study of Social Initiative (Budapest-Glasgow), and advisor to the Hungarian Ministry of Health, Family-Policy and Welfare. Her main research interests are: 'old' and 'new' poverty in Central Europe; 'recognition struggles' of the Gypsy; symptoms of social disintegration in Central European societies, and the 'Gypsy-question;' women's changing situation on the labor market in post-1989 Hungary; the history of social policy in East Central Europe.

In the 2002/03 academic year, Julia Szalai was a resident research fellow at the Woodrow Wilson International Center for Scholars where she studied implications of the Black Movements of the 1960s on the welfare reforms of the 1970s and 80s. This research was part of a comparative endeavor to analyze the similarities and differences of the racial conflicts of the US and those increasingly occupying the political arena in the new democracies of East-Central Europe. Currently, she is writing a book building on the results of this research. The focal aim of the book is to provide a comparatively informed social historical framework for the understanding of the deficiencies of the post-communist embourgeoisement-process in the context of new class- and ethnic relations in the region.

JOSEPH S. TULCHIN is the Director of the Latin American Program at the Woodrow Wilson International Center for Scholars, in Washington, D. C., where he also serves as a Co-Director of the Comparative Urban Studies Project. The Wilson Center is the preeminent nonpartisan forum in Washington, D.C. bringing together the realms of scholarship and public affairs. As director, he coordinates research on and public discussion of issues of concern to Latin America and promotes the exchange of ideas among persons from governments, international organizations, the media, business, labor, foundations, churches, and the academic world. Dr. Tulchin is an active and prominent Latin Americanist. He was Associate Editor and

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then Editor of the *Latin American Research Review*. He served on the Program Committee of the Latin American Studies Association, and on several national committees of that association and the Conference on Latin American History. Before moving to Washington, Tulchin was Professor of History and Director of International Programs at the University of North Carolina at Chapel Hill. He taught at UNC for twenty years and at Yale University before that for seven years. His areas of expertise are U.S. foreign policy, inter-American relations, contemporary Latin America, strategic planning and social science research methodology. Tulchin holds the B.A. degree, magna cum laude and Phi Beta Kappa from Amherst College. He read History at Peterhouse, Cambridge before attending Harvard University where he completed his Ph.D in History in 1965.

AGENDA

Perspectives on Urban Poverty in Latin America

September 17, 2003

Woodrow Wilson Center, Washington D.C.

- 9:00 am** **WELCOME**
Joseph S. Tulchin, Co-Chair Comparative Urban Studies Project
- 9:15 am** **URBAN SOCIAL POLICY IN LATIN AMERICA**
Clarisa Hardy, Fundación Chile 21
Eduardo Amadeo, President, Argentine Social Policy Association
Barbara Stallings, Brown University
- 12:00 pm** **LUNCHEON**
- 1:00 pm** **UNDERSTANDING URBAN POVERTY**
William Beezley, University of Arizona
Janice Perlman, Mega-Cities Project, Trinity College
Gabriel Kessler, Universidad Nacional de General Sarmiento
Patricia Landolt, University of Toronto
Commentator: **Marta Scheingart**, El Colegio de Mexico
- 3:30 pm** **STRATEGIES FOR URBAN POVERTY ALLEVIATION**
Marianne Fay, World Bank
Patrick Breslin, Inter-American Foundation
Jeff Boyer, USAID
Alan Wagenberg, Inter-American Development Bank
Commentator: **Clarisa Hardy**, Fundación Chile 21

Agenda

- 5:45 pm** **CLOSING REMARKS**
Joseph S. Tulchin, Co-Chair,
Comparative Urban Studies Project
- 6:00 pm** **ADJOURNMENT**

AGENDA

Spatial Dimensions of Poverty in Eastern Europe and the Newly Independent States (NIS)

October 8, 2003

Woodrow Wilson Center, Washington D.C.

- 9:00 am** **WELCOME**
Blair Ruble, Comparative Urban Studies Project
- 9:15 am** **PERSPECTIVES ON URBAN POVERTY**
Ellen Hamilton, World Bank
Julia Szalai, Institute of Sociology of the Hungarian
Academy of Sciences
Stephen Crowley, Oberlin College
- 10:45 am** **BREAK**
- 11:00 am** **STRATEGIES FOR POVERTY ALLEVIATION**
Anastassia Alexandrova, Urban Economics Institute,
Moscow
Elizabeth McKeon, USAID
- 12:45 pm** **CLOSING REMARKS**
Blair A. Ruble, Co-Chair, Comparative Urban
Studies Project
- 1:00 pm** **ADJOURNMENT**