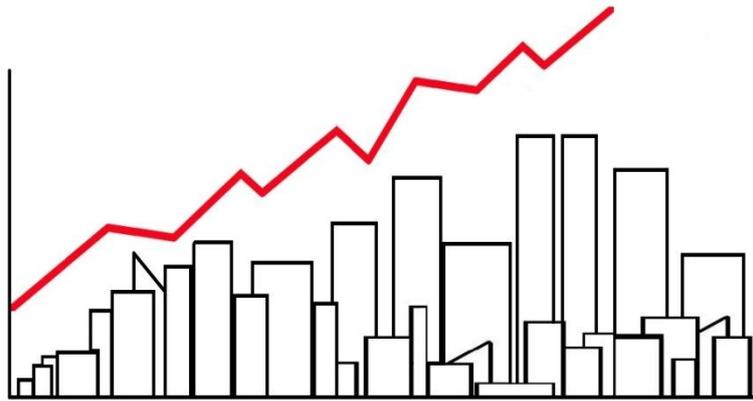


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THE CITY AS A COMMODITY

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Introduction

This book is the second volume of the *Metageography* Collection, the result of a slow and collective creation carried out by researchers from the Radical Critical Urban Geography Group (GESP, in Portuguese) - based on a theoretical-methodological foundation guided by a Marxist-Lefebvrian perspective. This work is open to dialogue with researchers from other areas of expertise. The methodological orientation, which is also a social, political and philosophical view of the world, presents us with the immense task and theoretical challenge of clarifying the concrete social reality that we are experiencing, given that the central notion of *space production* has emerged from this challenge, equally present in the chapters gathered here. Space production is a strategic notion for our understanding of the world, since it enhances a reflection on *praxis*, on the multiple and contradictory social processes and relations that are constantly transforming and which are spatially reproduced, thus revealing the very foundations of the reproduction of society in its concreteness (which also holds ideologies, representations). The analysis of space production enables us to withdraw the absolute nature of that which has emerged as a new absolute - new spaces, new practices, new representations. This provides a dialectal view of the persistencies/continuities in the heart of the transformations and juxtaposing the partially modified old, in the simultaneous move of constituting the new.

The metropolis as a necessary moment of capital accumulation has emerged, in this new dialectical approach, as a simultaneous real-practice and theoretical superseding of the meaning of urbanization and urban space production. These are understood, the majority of the time, as simple results of the economic development of cities - of the economic activities concentrated in metropolises and the complementary construction of a residential space to house the force of industrial labor, for example, or the production of spaces connected to commercial activities and services resulting from urban growth. What is identified in the understanding of *Urban Space as a Business* is a new dimension - which does not fail to replace, in distinct ways, past elements of urbanization - of the increasingly intense role of space production itself, the city



and the urban for the reproduction of capitalist accumulation. The notion of urban space as a business - which spans all of the chapters of this book in different ways - aims to demonstrate a change of meaning, or better, intends to clarify the contemporary hegemonic meaning assumed by the city and by the urban: to no longer reproduce the conditions necessary for capital accumulation *in* urban space, but to directly reproduce capital by means of the production of urban space.

This understanding and distinction will be important in the debate of many issues analyzed by the authors, which include: the review and updating of the theoretical approach to the topic; the contemporary production of urban space and the city itself in the movement of financial globalization; the transformations in the real estate sector and in the private ownership of land; the new features of the process of space valuation; the new public policies of space and state urban planning linked to capitalist reproduction; the new frontiers of accumulation represented by narco-economy and tourism, among many other issues. In fact, the reflection on space production has theoretical requirements brought on by the very movement of the reproduction of reality. In this way, the chapters point out the multiple configurations and modalities through which the city is predominantly produced, with the purpose of producing and reproducing space as a commodity possessing value that increases in value, and which, in this process, intensifies the overlapping of the logic of the exchange value and the unproductive use of space for everyday life. In other words, the texts can be understood, as a whole, as moments-processes that point out the realization of urban socio-spatial aggregation by and for the logic of economic capitalist accumulation, which does not occur without crises, conflicts and resistances.

On this path of understanding urban space as a business, the metropolis and metropolitan spaces are imposed as a central means. The centrality of the metropolis for capitalist reproduction goes beyond the concentration of the infrastructure, the market, the work force, and the technical foundations of production, though it does not dispense with them. In the current context of financial globalization, the economy and industrial capital are at the service of financial circulation, establishing a change of quality in the economy, work and

urbanization. It is about a process in which the surplus values begin to articulate various scales (from local to global), gaining new circuits of production and realization and channeling huge financial investments to constant space production, which is expressed in the activities of major contractors and in real estate production. The space-time of metropolises enables, with intense and rapid speed, the acceleration of the realization of global (and also local, regional and national) surplus values in the constant production, destruction and reproduction of spaces, which tends to guarantee, at least momentarily, superseding the crises of accumulation and devaluation of capitals in other spaces, cities, countries and regions.

As such, the space of the metropolis and its reproduction has been increasingly absorbed by the formal production of hegemonic economic and political agents, which brings together different factions of capital - productive, financial, commercial, with the predominance of the financial - in a movement that elevates the space of productive capital and urbanization to a productive force. With this, the abstract nature (because it is quantifiable and alienated from differences and qualities) of the value based on commodities and private ownership of land is consolidated and extended to space. The contradictions produced on the level of capitalist reproduction can no longer be considered separately from the contradictions that are produced by this economic reproduction on the spatial level, given that space production has currently been playing an essential role in the continuity of the development of the means of capitalist production, as the studies in this book attest.

It is possible to talk about a new spatial dynamic of contemporary capitalism with origins in productive restructuring and which has established a new regime of accumulation over the past few decades: the financial. From a geographical point of view, the implications produced by this new globalized financial regime of accumulation delivers a series of new spatial interventions for its understanding, indicating the production of a phenomenon of another nature. The transformations in the cities bring new scalar connections between the agents and processes involved, such that globality runs through space, presenting disagreements and many conflicts between the scale of everyday life as opposed to the scale of globalized economic accumulation which moves



urban businesses. Therefore, it appears to be on the urban and metropolitan scale in which the reproduction of space gains greater density, bringing new forms and components to the metropolis, which are presented as a condition of financialization as a process of necessary flexibilization in the immobility and fixedness of the private ownership of land. Consequently, it is in the metropolis that new financial mechanisms, strategies and instruments of space production are developed, linked to the actions of the real estate sector, which has been financialized, broadened and become critical. This is because it has produced, in this same motion, new barriers, new obstacles, new contradictions broken down from the process of space valuation, the private ownership of land and the scarcity of space.

Urban space as a business does not dispense with the work of the State for its implementation. On the contrary, the valuation of space requires state action as a *sine qua non* condition to guarantee and legitimize the supposed "capital rights". These "rights" involve the creation of a new legality which denies the constituted legal foundations: it is what happens when the cultural heritage in a metropolis becomes a business, or better, when the possibility of an architectural, historical, artistic and cultural heritage site is created and incorporated in the exchange value, which is then "adjusted" in order not to interrupt the valuation processes of urban space, as in the case of protecting cultural heritage sites. If popular use produces patrimony against corporate interests surrounding the valuation of space, the State creates mechanisms to reduce the components of this space to the logic of the homogeneous, undertaking policies of patrimony as policies of space that replace these "maladjusted" spaces in the valuation process of areas of greater economic centrality in the metropolis. The dynamics of urban restructuring operationalized by planning policies, such as the Urban Operations, or governmental policies such as the *Minha Casa Minha Vida* ("My House, My Life") program demonstrate, at the same time, the opening of new businesses by expanding the social foundation of consumption in moments of crises and the new strategies of capital reproduction in space based on land, real estate and state valuation which achieve the almost complete privatization of urban policy. This highlights the role of the State as the coordinator of the process of urban

production as a lucrative business. In the urban governance, the political dimension of the government dissipates in the ideology of urban management, which is merged and confused with the business/lucrative administration of the city and establishes new orders, regulations, in addition to institutionalizing eviction orders of residents and socio-spatial segregation as the norm and meaning of the actions of a public-private administration of the city. In certain contexts, such as those of the São Paulo and Rio de Janeiro metropolises, urban governance and planning still dispute global investments, leading to the maximum expression of the ideology of the competitive city.

These processes of state urban planning linked to the execution of policies on space, which are connected to financialization and real estate production, are allied to the economic activity of urban tourism as a new frontier of commercialization and the consumption of space. The spectacularization and semblances involved in the touristic space production of the city strengthen the notion of urban space as a business, and even promote the metropolis of São Paulo as a city of business, seeing that "business tourism" moves the sector and is greatly expressive in São Paulo. Urban space as a business reproduces, through tourist activities, the "business city" as a touristic product (of fairs, shopping, congresses, etc.), in which touristic space production is carried out as a spearhead for the capitalist reproduction of the city, being the alibi for the processes of urban renewal/revitalization which inaugurate new possibilities of accumulation by means of destroying/rebuilding urban spaces, especially in the city center, though not exclusively.

In turn, the global market of criminalized drugs has also appeared as the illegal face of the capitalist economy, despite being completely connected to the processes of capitalist globalization, financialization and territorialization. In fact, narcotrafficking and money laundering through banking institutions and financial and real estate transactions constitute a lucrative economic sector, which has a complex organization from the production of drugs to their distribution and commercialization. This involves space production whether in agrarian spaces where they are produced, in the slums where they are distributed and stored and in the middle and upper class neighborhoods where they are, to a great extent, consumed. The economy moved by drugs promotes a contradictory and



violent integration between the legal and illegal, being the everyday life of cities such as Rio de Janeiro characterized by the disputes between criminal factions themselves (capturing new markets) with the State which, through the militarization of combating drugs, promotes numerous violations of human rights, especially in the slums, where battles are waged, presenting elevated lethality. The criminal drug business shows us that the circuits of capital realization necessarily include a dispute between the legal (legally produced and commercialized merchandise) and illegal (illegally produced and commercialized merchandise) consumption.

This process has also been found with the recent metropolization-peripheralization of housing production by the real estate/financialized sector which, again with the central intervention of the State - through policies such as the *My House My Life* housing program - capitalizes on poverty as a new globalized business. This situates a new level for the production and reproduction of space in the metropolitan peripheries, establishing the imperative of analyzing the new characteristics of the valuation process of space on the peripheries. The debates surrounding the valuation of space in the face of the new housing production under way on the urban peripheries replaces the need to advance in the critical understanding of urban land income, in the sense that it would not be enough to analyze urban production itself as a business. The metropolis, as a level of reality and analysis, is composed of a very differentiated mosaic of places, of fragments which, however, only gain meaning as a whole. In this way, it comprises the distinct processes of valuation, which go from the transformation of working class neighborhoods into middle class neighborhoods through actions by small capitals, associated to the policy of real estate credit, to production and a real estate centrality that is achieved by an alliance between the State, corporations and builders with international capital and real estate funds negotiated in the stock market, thus revealing the relation between the reproduction of space and financialization most effectively.

Therefore, space is no longer understood only as a raw material and means for production, but as a product with value and which is valued according to the specifically urban/spatial dynamics, which characterize an even

greater fragmentation of space and institute new mechanisms of expropriation as well as the precarious integration of the poor to the urban. The dialectical approach to and particularization of the valuation of space involves the need for analyses that are supported by the concrete level of space, going through the study of land, real estate and state valuation understood as inseparable moments of the valuation process of space, and which is differentiated from the capitalization of space as an integrative process of the - in part speculative - increase of land and property prices.

However, what is presented is the reproduction of urban space as a business, because these processes generate the condition of the reproduction of life in the metropolis and reinforce the naturalization of the production of private spaces, segregation and functionalization, increasingly transforming the space-times of life, reducing the possibilities of appropriation and social relations. This way, there is a need to strengthen the line of thought that reveals the role of space in the new logic of accumulation and which, at the same time, reveals the struggles and conflicts of the present time in the metropolis, as a bridge to reflect on the utopia of a new society.

The construction of a critical and radical urban geography involves a perennial dialogue with related disciplines so that it is possible to unveil the new processes of space reproduction, which express new strategies, scales, processes, agents subject to the production of new spatial forms and new components of urban social relations that redefine social life by means of everyday space production turned into a moment of the capitalist reproduction of space. Therefore, the challenge that permeated the chapters by the authors involved recognizing the complexity of space production according to the spatial logic of capitalist valuation, which we denominate *Urban Space as a Business*. It also involved the construction of a radical denial, through theory and practice, of urban space as a business, highlighting the appropriation of social space as a space-time of carrying out the everyday life of its inhabitants as the horizon of urban life. As such, *Urban Space as a Business* challenges us to build a new urban utopia, guided by the right to the city and by the social appropriation of space in the pursuit of superseding the historically produced socio-spatial inequalities in our country.



From a place of business to the city as a business

César Simoni Santos

Starting in the 1990s, a convergence towards the urban-metropolitan scale seemed to signal not only the construction of a new interdisciplinary consensus, but also the meaning of spatial dynamics in the midst of a profound crisis that disrupted the system of accumulation established during the post-war era. Many theories and concepts were adapted and created in this context due to the perception that the urban-metropolitan scale assumed a renewed importance in the universe of capitalist accumulation. The rise of this scale in the disciplinary field of spatial sciences simultaneously represented the possibility to revise the implicit assumptions in the broad spectrum of disciplines relevant to the regional sciences. In addition to the requirement of adapting the regional scale to the universe of urban dynamics, the interscalar relations themselves were especially affected. However, if the new importance of the urban and the metropolis seemed to represent a strong element of a new consensus, the methods, theoretical concepts and principles that guided this apparent agreement revealed radically diverse concepts at the foundation of academic production. After the 1980s-1990s, the prominence of the scalar shift from the regional to the urban theory, the perception of the importance of metropolitan spaces for the current stage of capitalist accumulation and the awareness of the strength of this scale and the uniquely urban dynamics in the interpretation of economic processes on the global level are considered valid and pertinent in the field of a social critical theory. However, despite this, the present chapter calls into question the conceptual repertory and theoretical foundations of a part of the production dedicated to the problem of spatial dynamics in productive reorganization.

The scalar shift and the path of endogenous development

In the 1950s, the traditional scale linked to the concept of region weakened together with the possibility of the continued use of the label

Regional Geography for studies aimed at presenting the dynamics pertinent to a determined spatial domain or “division”. From the point of view of Critical Geography, the strength of oligopolized capital projected at the international scale onto various spatial domains tended to destroy one of the elementary assumptions of this disciplinary field: regional autonomy. On the other hand, the institutionalization of Regional Science and the emergence of Quantitative Geography, in the USA, despite strengthening the concept of region, gave greater scalar autonomy to the ways in which this same concept was used. The revision and even the revival of theories by Lösch, Christaller, Weber and Von Thünen, at this time, gave some freedom, to a certain extent, to use the notion of region differently than that which predominated until the first half of the 20th century under the strong influence of Vidalian Geography. However, the tradeoff for the scalar emancipation of the concept of region was the morphological connection generated from the abstract spatial foundations of a supposedly universal and unrestricted validity in terms of its application.

In the field of Critical Geography, observations by Max Sorre shed light on the critical analysis that Milton Santos made of Classical Geography and, consequently, a very strong tradition of Regional Geography, one of the pillars of the discipline until this time. Santos questions whether “one can, in this day and age, admit that human constructions, as they are presented on the face of this Earth, result from an interaction between ‘one’ human group and ‘its’ geographical environment”.¹ According to him, “the region is no longer a living reality with an internal coherence; it is mainly defined externally, as B. Kayser has observed, and its boundaries change according to various criteria. Under these conditions, the region has stopped existing within itself.”² Therefore, “the fact that there is no regional autonomy is parallel to the collapse of regional geography considered in traditional terms”.³ However, in addition to the analysis of the traditional concept of region, the treatment given by this perspective also contributed definitively to the development of a fluid scalar distribution of the concept of region that broke away from the universe of large regional domains inherited from Traditional Geography. The perspective of unequal development led to an observation of economic relations based on spatial units and domains defined in a broad range of geographical scales. That being said, it was



possible to transfer the scale of analysis from the international field to the inter-regional field and, then, to the urban-metropolitan scale. This was the contribution of the critical perspective towards breaking away from the rigid scale of the major domains of traditional Regional Geography. As such, considering the role of the critical perspectives of Geography as well as the evolution of regional sciences and quantitative techniques that form the foundation of Grid-based Geography, the evolution of the notion of region in the 20th century diverged from a (typical) rigid scalar structure and freed up the concept for use in various areas of spatial science. Moreover, Keynesian planning, the central nature of nation-states, post-war economic growth and even the critique of the Fordist-Keynesian model (whether in its central or peripheral version) politicized, institutionalized and instrumentalized the concept of region.

One of the paths towards identifying the concept of region at the local and urban scale appeared upon the rise of the theoretical current of “endogenous development” in the 1970s. Therefore, according to Benko,⁴ the “local development”, as this current is also commonly referred to, “is frequently interpreted as the most recent paradigm of development”. The theoretical focus of this group consists of an awareness of organization and local actions as territorial elements that stimulate the current economic dynamic. The crisis of intervening states with a Keynesian profile and the administered economy, typical of the post-war, apart from (almost) burying the theories associated to centralized planning at the national scale (such as the theory of growth poles, by François Perroux, for example), gave a wide margin of acceptance for theories that valued elements that were available or had emerged from local frameworks. As such, this perspective produced a conception of economic development based on the weakening of the central state and the national scale, which were essential in the previous model of growth. For this reason, this conception circulated between the critical analysis and the (state and business) administration as a panacea of the proclaimed Post-Fordist crisis.

Among the authors of the hypothesis of endogenous development, Ana Cristina Fernandes⁵ chooses those who have addressed the productive frameworks of the Third Italy (Becatini, Bellandi, Garfoli) and the Californian



Silicon Valley (Scott, Storper, Walker and Castells). The former are associated with the spatial form of the Marshallian district, the *milieu innovateur*, in an approximation to the local scale without, however, a strong link to contemporary urban issues. The Marshallian district, revived by this group in the interpretation of the Third Italy, considers market relations and those of the macroeconomic domain less than the innovative dynamics resulting from intangible relations that suggest positive synergies as an effect of agglomerations. The forms of coordination, competition and cooperation, which emerge in innovative environments stimulated by uncertainty and the difficulty of making production routine, suggest a new type of inter-business association that chooses districts, spatial clusters, as the most adequate environment for the requirements of competitiveness in an unplanned and flexible economy.

The 1980s-1990s version of the Marshallian district would be, in this view, the organizational and spatial form suitable for Post-Fordist, endogenous, innovative, agile and socially aware and cohesive development around the world, that is, the focus of the spatial policy adapted to the new standard of flexible accumulation.⁶

The analyses by the Third Italy group opened the way, however, to new considerations on urban and metropolitan space after the crisis of Fordism in the scope of regional science. The so-called California School, in turn, extends the approach of the industrial district to the observation of the role and dynamics of metropolitan space, emphasizing the strength and possibilities of the multiplying effects of agglomerations. As observed by Scott et al.,⁷ with the crisis of the parameters of the Fordist administration, a period of uncertainty in relation to the expansion and fidelity of the markets began. The predictability crisis and the increased competition suggested an adaptation of the productive processes to a more flexible business environment. The uncertainty and difficulty of making productive processes routine demand constant and frequent innovations which, in turn, are linked to learning capacity in highly competitive markets. The forms of producing, adapting and circulating knowledge between firms, were made possible from this point of view, due to the physical proximity of companies in dense locational clusters. Moreover, the organization of spaces rich in the specific factors required by these firms and adapted for flexible



competition, found especially in metropolitan spaces, make it possible for a noticeable reduction in costs. The need for quick adaptation in an unstable world with ephemeral changes places learning and innovation, as well as costs linked to specific factors and specialized services, on the front line of the locational strategy, even more so when one considers the constant reduction of communication and transportation costs that operate more significantly at the global scale.

Despite the possible analyses and those we intend to present over the course of this chapter, we must consider that part of the importance of these approaches is also in the opposition that these authors represented for the hegemonization of a fundamentally uncritical position in dealing with phenomena associated to productive restructuring.

Opposition to the relocation model and the contemporary shift

At the end of the 1980s and especially in the beginning of the 1990s, the mantra of the dematerialization of life, the despatialization of activities, the relocation of work and production environments started to gain significant proportions in the academic sphere. Studies on urban space would become obsolete in the eyes of this perspective. Driven by the frenzy of new communication and transportation technologies in a world that has undergone visible transformations in relation to the versatility of the markets, the perspectives of dematerialization proclaimed the end of the importance of space and relegated it to the prehistory of contemporary conditions. The declarations made by these perspectives gained space in academia and in the media, fighting for a place in everyday communication. With the development of data transmission network technology and new means of transportation, it would be possible to do office work at home, to go shopping without leaving the comfort of one's home, or even, interact and communicate with people anywhere in the world with only a computer connected to the world wide web. These ideas would suggest and even form the foundation for a view according to which agglomerations, as a predominant form for social lives and the economy, would

become unnecessary, in addition to observing spatial dynamics and the processes of the production of space. This conception has added to the idyllic perspective of returning to the country and to nature – very well exploited by the real estate markets, evidently – and saw a world, a landscape, that abolished problems related to the embarrassing daily life of the contemporary metropolis presented in the form of pollution, traffic and inflexibility of work and social hours. This ideological paraphernalia, which frequently served more as a defense against real estate promoters and advertising for new services, is opposed to a group of critical researchers under the supervision of endogenous development. Allen Scott, John Agnew, Edward Soja and Michael Storper,⁸ when they proposed to “understand why, in an area of declining transportation and communication costs, we still have a world organized around major urban regions (more than around a more diffuse location pattern)”, they introduced, in this case, their dual critical assumption. Firstly, they claim at the foundation of their theory the importance of the urban agglomeration for processes of accumulation. Secondly, they directly criticize perspectives of dematerialization. It is in this sense that one can attribute an important critical nature to this view of endogenous development. For them,

in fact, rather than being dissolved away as social and geographical objects by processes of globalization, city-regions are becoming increasingly central to modern life, and all the more so because globalization (in combination with various technological shifts) has reactivated their significance as bases of all forms of productive activity.⁹

The view presented by this group was also assumed by Saskia Sassen in the beginning of the 1990s. As they did, Sassen begins the first chapter of *Cities in a world economy* with a warning about the theoretical environment from which she proposed to advance in the debate on the spatial reconfiguration of productive restructuring. She presents the emergence of a near consensus on the relocation model to then refute it based on her theory of global cities.¹⁰ This theory not only considers spatial and local aspects, but reinforces the role of the city and the typically metropolitan urban agglomerations in the process of capitalist accumulation that has been developing in the global economy. Using as a starting point the analysis of



uncritical perspectives of dematerialization reveals, in addition to the identity that is created by the opposing theory, the importance of these creations in understanding the role of space and its components and prominently urban forms for the current processes of capital accumulation. The historical approaches to the theoretical and conceptual development of the new regional and urban sciences frequently ignore this fact, consequently failing to highlight the shift that occurred in academic productions in this field from the 1990s forward as a response to valuing the analyses that came with these more recent theories. Moreover, this simplification of disciplinary history and its ideas assumes a kind of theoretical-conceptual development separate from reality in transformation. With the successive reorganizations of the productive sphere, the relations between financial capital and manufacturing capital and the public or private institutional environment, resulting from the frequent crises that reach the process of capital valuation, the position and role of metropolises in the order of capitalist accumulation has been noticeably altered.

Despite the crisis of the 1970s serving as the inspiration for the authors of the Third Italy for the revival of the Marshallian district, among those for whom urban space constitutes the fundamental meaning of the functional agglomeration for the purposes of accumulation, the shift that directed a new view of the metropolis began to be developed from the 1980s on. In *The global city*, by Saskia Sassen,¹¹ the 1980s is considered the moment during which the profound transformations that occurred in the economy and policy were established, which led to a reconsideration of the concept of a global city. It is for this reason that, according to Sassen in *Cities in a world economy*, “the marketplace and the advantages of agglomeration, and hence, cities, assumed new significance beginning in the mid-1980s”.¹² The emergence of a “new economic regime”, driven by the prominent role of finances and services assumed at the end of the 20th century, reshaped the importance of major metropolitan centers in the dynamics of accumulation, which has increasingly been developing at the global scale. The emergence of this new economic arrangement, which attributes greater importance to the financial and service segments, makes time, in its raw form, a more significant factor for costs than the weight of finished commodities or raw materials. The logic of location, which



previously respected a standard of agglomerations surrounding the sources of heavier materials, was profoundly altered. If it is true that the development of new communication and transportation technologies and the noticeable fall in costs of these services gave greater freedom to capital investments, then, looking at it another way, this should be observed not only in relation to its limitations, but also in relation to countertrends and opposing effects, depending on the area on which the analysis is focused. Therefore,

firms in more routinized lines of activity [...] appear to be increasingly free to move or install their headquarters outside cities. Firms in highly competitive and innovative lines of activity and/or with a strong world market orientation appear to benefit from being located at the center of major international business centers, no matter how high the costs.¹³

As such, Saskia Sassen is also in the position to replace the terms proposed by the analyses based on modernizing the Marshallian district. “From the perspective of producer services firms, such a specialized complex is most likely to be in a city, rather than, for example, in a suburban office park”.¹⁴

If this analytic context and profile, which is based on the awareness of a trend towards the financialization of the economy and a profound transformation of technical specifications of communication and transportation, served to shift the importance of works linked to the Third Italy in the theoretical field, the impact that it had on the old parameters of regional sciences was even greater. François Ascher,¹⁵ also assuming the effects of recent developments in transportation and communication, claims that “the ‘Christallerian’ scheme’, which had long been the dominant reference for explaining a hierarchical spatial division of cities, loses even more of its pertinence with the emergence of a polarized urban system around the metropolises working in a network at an international scale”. This is explained in this paper according to the perception of a shift in the spatial continuum. The development of high-speed transportation and communication in “real time” suggests a renewed conception of space based on a new space-time paradigm: the “tunnel effect”. Ascher emphasizes that with the increased speeds implicated in the transportation of goods and people, as well as with the advent of instant communication at reduced costs and unlimited range, the distance and connection between two



major centers can replace the notion of distance and space between these points. It is as if there was “nothing” between one major center and another. Therefore, “the half-way distance, which was the best location in the past, became the worst [...]. This explains in part the weakening of urban hierarchies and the loss of relevance of the schemes proposed by Christaller and his followers”.¹⁶ Clearly, the critical analysis of the Christaller schemes is figurative here and can be extended to the broad range of neoclassically-inspired theories that resuscitated, in the post-war, the notion of spatial centrality founded on a concept of continuous space and an assumption of spatial balance. This also includes the works inspired by the theories of Lösch, Weber and even Von Thünen. Despite the space that Ascher dedicated in his paper to placing the urbanization process in a kind of uninterrupted temporality, frequently of a supra-historical nature, the metapolis, his master-concept for understanding urban phenomena today, signals the most recent shift that organizes the urbanization process. The justification for using this new nomenclature that involves the understanding of today is defined by the fact that

the notion of metropolis that we use today to describe these large agglomerations seem inadequate to describe this new type of space, on the one hand, because it immediately evokes a major city assuming the higher functions in the regional urban hierarchy, on the other hand, because it does not introduce the idea of a new structure of urban spaces, nor the idea of forming a new space for routine economic and social activities.¹⁷

Moreover, similarly to Sassen and others from the so-called California School, Ascher aimed to place his theory against the widespread interpretation of relocation. To point out the supposed mistake in the analyses by Françoise Choay, Daniel Bell and Melvin Webber, Ascher presents his founding hypothesis that agglomerations have become even more important in the face of the revolution of transportation and communication technologies. For him, “certainly the new transportation and communication technologies participate in the reorganization of urban and rural spaces, but they do not involve a generalized dispersion of people and activities. On the contrary, they follow or create new agglomerations and polarizations”.¹⁸

Pierre Veltz did not follow a different path. Despite the time that had passed since the first edition, dated in 1996, from his *Mondialisation, villes et territoires: l'économie d'archipel*, in 2004, he wrote a new preface that begins by resuming and better defining his position in this debate. From the first line of this preface, there is a critique of the perspective of globalization as a process of dissolving concrete space and spatial materialism. According to Veltz,¹⁹ “globalization is not the imposition of abstract space, without distances, without local characteristics that are not precarious and residual”. For him, the results, conditions and means by which globalization was established as a hegemonic process, “are inseparable from the accelerated urbanization of the world and from a polarization of the global economy without precedents around major cities”, which are linked by a kind of “archipelago economy” based on which urban spaces become central in producing the flow and direction of the economy.²⁰ “Relocations’ are certainly important in some sectors. But the alarmist discourse that they raise conceals the dominant phenomenon, which is the opposite of this”.²¹ The materialism, form and content of space are so important for the foundations of the contemporary economy, according to Pierre Veltz, that he chose a spatial phenomenon (more than simply an overview) to substitute the central explanatory element of the previous regime of accumulation. Based on his book, we understand metropolization as the current alternative to Taylorization of the economy. From this point of view, it is not just that space, materialism and, especially, metropolitan space are important in understanding the contemporary world, but that their role significantly increased after the crisis of the previous regime of accumulation. This understanding is based on the recognition of a crucial shift that occurred at the end of the 20th century. Reinforcing the perspective presented by Saskia Sassen, Veltz defines the moment of this political and economic *bouleversement* in the 1980s, also moving away from the perspective of the authors of the Third Italy.²² The theoretical path that allows our author to arrive at the terms of metropolization, as well as the element that defines the shift of our time and the predominant form of a critical understanding regarding the current state of the globalized world economy, shares the major tradition of thought with those left of the critique of neoclassical tradition. The reestablishment of some spatial and imperfect market theories, such as those that highlight the role of economies of



scale and external economies, defines this position. For Veltz, “without economies of scale [...], there would be no economic geography”. However, “this common sense observation is not trivial in the eyes of a neoclassical analysis”.²³ Moreover, “if externalities have a residual status in the traditional theory (everything that escapes the market), they are, in reality, omnipresent in the real economy”.²⁴ According to the author, the meaning of spatial considerations in economic theory is justified in the face of the “imperfections” of the market, which is at the forefront of the real economy and hidden by the theory of perfect markets from a neoclassical slant. Taking this tradition of economic thought as a reference, he claims that “the economy, the most advanced, works increasingly by ‘extraeconomic’ means! And territory certainly plays an essential role in this dynamic”.²⁵

In the work of Scott et al.,²⁶ the marks of productive restructuring, the crisis of the nation-states, the financialization of the economy and the advent of new communication and transportation technologies, all associated to the transformations that occurred in the 1980s-1990s, are presented like a touchstone for the emergence of the concept of city-regions. From this point on, we can claim that, according to these authors, the current investment in studies on the metropolis is justified by the profound transformations that reach the working order of capitalist economies at a global scale and that this set of transformations attributes new components and a prominent place in metropolitan space from the 1980s-1990s forward. For these authors, “there has been a resurgence of region-based forms of economic and political organization, with the clearest expression of this tendency being found in certain large global city-regions”.²⁷ Therefore, contrary to the motto of the administrators and theorists of the technical-scientific revolution of the 1990s, according to this perspective, “the force of agglomeration remains strong, even though transportation and communication costs continue to decline”, as claimed by Storper and Venables.²⁸ Based on their analyses, it was possible to observe that

improvements in transport and communications processes have rarely if ever slowed down the urbanizing tendencies of modern capitalism [...]. Rather, improvements of these sorts have almost always tended to reinforce the



clustering of economic activity both by widening the market range of any given center and by helping to spark off new rounds of specialization in established urban areas.²⁹

All this critical potential, however, which recognizes and revises contemporary urban spatial analyses and processes as central elements for understanding the world today, was achieved without abandoning the assumption regarding an essential shift in the order of the temporal flow of the phenomena. In this view, there is also a good part of the analytical power, which is one of the major merits of this group of authors who have positioned themselves against the uncritical and conciliatory perspective of dematerialization. By sharing with the theoretical opposition the assumption of a temporal shift, these authors have established the grounds for acknowledging a renewed role of metropolitan space in the order of contemporary economic reproduction. The financialization process of the economy, the flexibilization of the productive process, the crisis of central states and the national scale and the development of new transportation and communication technologies are part of the repertory to which these perspectives of valuation of the local and urban scale appeal to present the new role of metropolitan spaces in the economy and in social theory. “[I]n this conceptual evolution there have been no abrupt changes, since in the advancement of capitalist production, roots have been created over time, enabling these concepts to become established without essential shifts”.³⁰ This simplified idea prevents the observation of the transition (and the shift) that establishes the theoretical acknowledgement of the process that produced the urban-metropolitan space as the last frontier of capitalist accumulation.

The urban agglomeration as a place of business

One of the starting points of the analysis carried out by the authors of the so-called California School can be found in the observation, of a strong regulatory nature, of the transformation of the institutional environment of capitalism based on the eroding powers of the central states. This perception,



which was not exclusive to this group, nor to its more direct inspirations, spread across social and economic analyses, especially those that assumed a critical position in relation to financial austerity as a panacea of economic orthodoxy. In the peripheral states, heavily in debt in the 1980s, the imposition of the “bitter medicine” had even deeper impacts. Losing the ability to associate economic policies and regional “development”, in addition to reinforcing the dismantling of the old region of traditional geographers and dethroning the regional concept of centralized administration, would have made the national scale subside as a priority scale for reproducing and understanding social, economic and political dynamics. The decreased ability to associate and define policies at the national scale, together with adjustments in the institutional state environment and with new powers attributed to major transnational corporations, would thus result in a decentralization of political power. This would help to simultaneously consolidate the urban and global scales as the more significant scales for understanding new strategies of accumulation, based on the development of more direct relations between them. In the morphological aspect, appealing to the notions of Veltz, Scott et al.³¹ claims that “at the geographic base of the whole system lies a mosaic or archipelago of large city-regions constituting one of the principal structural networks of the new global economy”. From this perspective, “in little time, the traditional system based on the center-periphery relation is substituted by another, multi-hierarchy, operated by corporate firms that gradually assume a transnational nature”.³² Sandra Lencioni³³ considers this the moment and process by which a transformation of analytical categories and social dynamics operate with the substitution of the international scale for the global scale. This process would occur simultaneously with the emergence of the metropolitan scale (the “city-region”, by Scott; the “metapolis”, by Ascher; the islands of an “archipelago economy”, by Veltz; or the “global city”, by Sassen) as a kind of the old national scale of power. Moreover, according to Veltz,³⁴ “the fabric of the nation-states, in this context, is not only brutally affected by major global firms. It is also affected by this rise of the metropolitan economy”. Assuming the agglomeration, in its global connections, as the priority spatial form making productive, commercial or financial investments, one would thus be in the presence of, to use the terms of Neil Brenner,³⁵ the production of



new scales as a condition of contemporary accumulation. Therefore, “space provides a frontier in constant movement towards capitalist accumulation”.³⁶

As such, in the vague terms of a globalization guided by the global flows of information, values and orders, this perspective, which emerges from the critical analysis of dematerialization, associates the dynamics of agglomerations. The fact that long-distance interdependencies have become as strong as short-distance ones “does not mean, in any way, that distance will not play more than a secondary role and that we will enter a world of perfectly fluid relations, in a ‘liquid’ world”.³⁷ Here, we have part of the refusal to treat space only from the point of view of distance. Saskia Sassen also stands critically in relation to this approach from the perspective of unilateral globalization. For this author, despite containing true elements, she errs on the side of bias.

The centrality of the metropolis for these perspectives, which pursue in the agglomeration the social and economic dynamics responsible for the location of “superior” activities in the contemporary economy, is found and justified by a variety of groups, depending on the theoretical inclination of the authors in question. Saskia Sassen, for example, does not go far beyond offering rough factors, such as specialized work forces, modern infrastructure and high-income consumer markets, to characterize the general formulation of the need for agglomerations and their effects. For her, the new circumstance associated to the increase of financial flows and the service sector, in the era of so-called globalization, “demands a highly advanced infrastructure of specialized services and top-level concentrations of telecommunications facilities. Cities are central locations for both”.³⁸ Therefore, “rather than becoming obsolete because of the dispersal made possible by information technologies, cities instead concentrate command functions”. Sassen adds two other functions to this role, namely:

- (1) cities are key locations and marketplaces for the leading industries of the current period – for finance and specialized services; and
- (2) cities are multinational markets, where businesses and governments can acquire financial instruments and specialized services.³⁹



On the level of the dynamics involved in the emergence of urban spaces as environments suitable for doing business, the authors of the California School go far beyond the aspects pointed out by Sassen. Despite recognizing the importance that “cities always appear as privileged sites for economic growth because they economize on capital-intensive infrastructure (...), thus permitting significant economies of scale to be reaped at selected locations”, these authors add “to this obvious basic factor underlying agglomeration” three more sets of phenomena “that complement and intensify its effects”. They are, according to Scott and Storper⁴⁰: (1) the dynamics of backward and forward inter-linkage of firms in industrial systems; (2) the formation of dense local labor markets; and (3) the emergence of localized relational assets promoting learning and innovation effects.

Before proceeding with a brief clarification regarding these two points, we must make clear that all of them, including the first set attributed to the analytical development proposed by Saskia Sassen, are located in the field of the externalities that have to do with the profitability of capital that pursues urban space as a place for business. Evidently, the accepted assumption for these analyses is that one cannot take, in order to understand this new phenomenon emerging from the metropolitan centralization of activities, any branches or sector of economic activity. While the sectors responsible for executing these activities, understood today as “trivial”, normally representative of the more important branches in the economic geography analyses of Fordism, are gradually left on the edge of analysis procedures, a very specific set of supposedly “superior” and command activities begins to constitute the main concern of these authors. Among the component branches taken as significant here, we can include precisely those that are most adapted to the new conditions of capital production and reproduction and, as such, lead the dynamic of accumulation and have the capacity to generate, disseminate and impose a new order for the economy at a global scale. At the same time, they will be the branches most sensitive to the uncertainties and irregularities typical of an unplanned economy, such as the one that emerged from the crisis of the Fordist-Keynesian regime. Among the sectors included in this categorization, those that deserve greater emphasis are the high-technology industry, the high-



level business and financial services and the industries exposed to markets that fluctuate due to the constant design changes or fashion effects.⁴¹ Keeping in mind the degree of uncertainty and instability that dominates the competitive environment in which these more dynamic sectors are located, routinizing activities and external relations becomes more difficult, whether they are defined in the cross-company area, or defined according to labor and consumer markets. Therefore, this group of firms creates a dependence on “networks that facilitate recombination and change”. Taking into consideration that they interfere with the availability of adaptive factors (1) the availability of a highly specialized workforce, (2) the opportunity to partner with new suppliers and new consumers, also highly-specialized and demanding and (3) the high levels of access to a wide variety of information and resources, “the costs of transacting rise greatly as distance increases, and with the geographical scattering of producers, both efficiency and creativity effects become increasingly dissipated”.⁴² This is because not only does the availability of specific factors manifest itself essentially in a concentrated way, which restricts access to these markets through location in restricted areas, but because the proximity and establishment of flexible networks of corporate cooperation and solidarity determine the exemption of many charges associated to inventory building, a crucial condition adapted to the perspective of uncertainty and instability. Moreover, the assumed distance behind the notion of agglomeration involves a myriad of companies and consequently, associated possibilities. This is another condition for eliminating inventory, so essential in rigid structures in which the risk of breaking links in the supply chains (of goods and services) is relatively high due to the near exclusiveness that results from distance. It is in this sense that it becomes “possible to claim effectively that agglomeration is a fundamental and ubiquitous constituent of successful development in economic systems at many different levels of GNP per capita”.⁴³

From the point of view of the chain reactions possible only in environments densely populated by new sectors of contemporary capitalism, one can say that they have become particularly important “if we consider highly specialized inputs and outputs”.⁴⁴ Taking into account that these kinds of products need to have in their productive base inputs that involve highly



innovative and high quality products; also taking into account that, in order to gain access to these ultraspecialized input markets, access to information in an environment that demands an unfixed variety of suppliers is crucial for following and creating innovations; and finally, taking into account the fact that the reduced reach of these highly specialized goods can only be compensated in case the offering company gathers or surrounds itself with an increased number of clients, we can see that “specialized outputs have a ‘central place’ dilemma”. In this aspect, agglomeration, interpreted as a basic, essential form of the conditions for developing a product, reveals that “localized returns to scale and transactions costs are strongly related to the level of uncertainty”.⁴⁵ The concentration/centralization effect as a condition for stabilizing demand, for guaranteeing the availability of inputs and for reducing uncertainties brings us to agglomeration as a form essentially linked to the flexible arrangements of the contemporary economy, even though, frequently, under conditions of broad geographical range of product circulation. Central markets have thus become defining of the strategies and decisions involved in production. It is in this sense that, for this perspective, metropolises will be pursued as privileged places for investing in the highest productive, tertiary and financial circuits. In fact,

the urban environment, by concentrating relatively large numbers of suppliers and demanders, overcomes numbers uncertainty, permitting input smoothing by firms and maximizing "uptime" by workers, with considerable gains in productivity. Thus, the law of large numbers in a restricted geographical context creates increasing returns.⁴⁶

From the point of view of the job markets, the environment of innovations and uncertainties requires highly specialized and creative workers, even when the employers do not exist, due to structural imperatives linked to the uncertain and ephemeral nature of market solutions, to maintain connections with their employers that are too long. However, agglomeration, in this case, is seen as a crucial factor for reproducing the private capital of each company that aims to increase their profitability based on access to more specialized markets, as well as for highly qualified workers who aim to reproduce their status in situations of uncertainty. Therefore, these companies aim for a condition in which it is possible to appeal to a pool of highly specialized and available labor, a situation



that simultaneously avoids a salary increase of this class of qualified workers and internal costs relative to human resources development. To understand the meaning of agglomeration in the behavior of this work force, the effects linked to the distance of employment markets are even more noticeable. Distance generates commuting costs and reduces employment opportunities, whether due to access to the job location, or access to information about job availability and requirements. Moreover, “when firms or workers search for inputs or jobs under conditions of uncertainty, it is difficult to organize the physical transport of goods or persons in a way that minimizes their transport costs”,⁴⁷ which is very different under conditions of high regularity in transactions. Therefore, these workers tend to be located in the proximities of major business or service centers or highly specialized companies that reinforce the concentration of enterprises in the highest circuits of the economy existing in the metropolis.

A dynamic similar to that in which workers are informed about job opportunities appears, also as an effect of agglomeration, as an intangible asset for the business sector of selected branches. This is not the case of the service sector, for which this correlation between productivity gains and location has become more evident. What makes this evidence explicit, uncommon in other cases, is the observation that the “services which are delivered face-to-face would have very high transport costs if their provision were spread out”.⁴⁸ In a similar analysis, Biderman,⁴⁹ analyzing the structure of costs related to the importance of transportation in the decision company location, arrived at the conclusion that “transport costs influence the location decision of productive service companies more than companies in the manufacturing industry”. For him,

one important detail of the sector concentration is the difference between what is called ‘agglomeration gains’ and ‘urbanization gains’. While the former refers to gains of scale due to the presence of the same types of companies, the latter refers to the gain of scale resulting from the presence of firms from the sector in general [...]. The urbanization gains for services are greater than those for the manufacturing industry.⁵⁰

In fact, it is necessary to keep in mind that the authors present a theoretical resource that is difficult to validate empirically when they aim to

separate the costs of immaterial transaction as a productive force capable of contributing to agglomeration. The intangible nature of these relations, which are at the basis of presenting the importance of metropolitan spaces for contemporary economic reproduction, is one of the most fragile points of empirical research on the role of agglomeration in the terms proposed by these perspectives.

Their starting point for analyzing the role of localized relational assets capable of promoting learning and innovation effects consists of the observation that “creativity and the innovation within the production system are much enhanced”. This occurs, in part,

because of the great variety of different skills, sensibilities, and experiences embodied in the labor force, and in part because the agglomeration of interdependent producers in one place increases the probability of encounters in which novel insights and/or economically-useful knowledge are engendered.⁵¹

Therefore, a suitable environment will develop as a result of the intangible aspects present upon determining distance effects. The analysis is not exclusively based on physical transport costs, but on elements that help to promote this positive domain for doing business. Moreover, given its reduced explanatory potential, after making the observation that the transportation and communication revolution has not promoted an unconditional trend towards dispersion, which, in turn, did not lead to a simultaneous strengthening metropolitan agglomerations, “theories of agglomeration have progressively turned away from physical transport costs as their causal mechanism and have come to concentrate on immaterial transactions”.⁵² In this sense, the specific component that helps identify the spatial dynamic of contemporary accumulation is, for one perspective of recent studies, much more associated to innovation and learning conditions dependent on exchanging ideas and information. Thus, a new view on the urban dynamics of contemporary accumulation emerges. For these perspectives, “cities are increasingly conceived of as places where immaterial exchanges are facilitated [...]. Cities used to be centers of agglomeration of material production; now the motor force of agglomerations is the production and communication of ideas, knowledge

and information”.⁵³ As such, the “urban environment” presents itself to the firms most adapted to the new paradigms of contemporary accumulation as a suitable place for doing business. The way in which this transactional environment is organized is highly dependent on distance relations and is expressed by means of so-called face-to-face contacts, which Michael Storper and Anthony Venables⁵⁴ call “buzz”.

From the city as a place of business to the city as a business

According to Saskia Sassen, “this way of framing the inquiry has the effect of recovering the centrality of place and work in processes of economic globalization”.⁵⁵ However, if this is how it is done, then many have done it in a very strange way. A first point that we would like to raise regarding this refers to the dynamic and scales of state power. Despite the inevitable awareness of the existence of some structural imperatives that ended up weakening the central sphere of state power, we cannot completely believe in the fact that public and management organizations in local spheres are now the only public agents that truly matter. Ana Fernandes associates the productive restructuring that took place in the 1970s-1980s to the fact that “government leaderships have been convinced to see their cities as the most relevant geographical scale in globalized capitalism” and, based on this, to promote, at all costs, conditions for business competitiveness based on the production of spaces suited for capital profitability linked to corporate segments.⁵⁶ In this article, the author questions this decision-making power attributed to the local scale, without shifting the urban and metropolitan scale from the center of the current dynamics of accumulation. In this analysis, the prominence of activities on the urban scale is attributed to major globalized financial capital, which, in a symbiotic relation with the old local elite, attracts public powers at various scales to their domain of strategic decisions. An element that reinforces this perspective can be found among the motivations linked to the relocations of industrial plants and a variety of other kinds of assets. For the author, more now than in the past, due to the composition of capital gains most centered on financial spheres and money capital, these investments are made in pursuit “of not only cheap labor and



advantageous locations, but also in pursuit of favorable monetary zones”.⁵⁷ Therefore, according to Fernandes,⁵⁸ this universe of transformations “drives an opportunistic ‘solidarity’ between global corporations and places, which shapes a new interaction between geographical scales of political and economic power and continuous alterations in the mosaic of unequal development”.⁵⁹

The hypothesis defended here consists of the idea that the path assumed by many authors regarding the revaluation of urban space and agglomeration, in order to succeed in the theoretical debate in which their works have become even more relevant, left out one of the most important aspects for characterizing the current period in the sphere of capitalist accumulation. Firstly, after criticizing theories of relocation, these authors have not questioned the theoretical assumptions that led to an interpretation that fundamentally dispenses with space and agglomeration as conditions for reproducing social relations of production, but only their results. From there on, in addition to not abandoning the primacy of technological development as a foundation of the transformations that characterize our times, they incorporated the rhetoric and conceptual repertory of those against whom they were positioned. The starting point adopted for explaining the relevance of agglomeration flipped the switch on the same theoretical assumption of their opponents, without abandoning the boundaries that were unique to them.

One can understand that the metapolis emerges “as an urban form co-created by using new techniques of communication, conservation and relocating goods, people and information”⁶⁰ or that information industries, one of the flagships of the explanatory perspective of agglomeration, “need a vast physical infrastructure that contains strategic hubs, with a hyper-concentration of determined means”⁶¹. When assuming these views for presenting the relevance of urban space for contemporary accumulation, one is adopting an explanation founded on elements external either to space itself or to the notion of agglomeration, such that, first and foremost, this same conceptual repertory is used to demonstrate the dynamics of dispersion and the decreased importance of location. Therefore, with the progress of this dispute surrounding the effects of this “hyper-modernity”, evidence of a positive relation between the centralization/polarization and development of communication and

transportation technologies had to be found increasingly farther away. Finally, one would arrive at a business “environment” of intangible relations, in which the important element once again is no longer space and its materialism but distance and agglomeration (categories as abstract as distance and dispersion, but with a reversed sign). The very special conditions that enabled the observation of the emergence of a technical environment favorable to agglomeration needed to be created diligently, but had the main role of counterbalancing the extreme polarization and one-sidedness of opposing theories. This position implicated this group of researchers with concepts as intangible on the theoretical level as they are in reality.

In this sense, the fact that previous theories addressing technological overflows have not given special attention to so-called face-to-face contact does not seem as “surprising” to me, as it does to Storper and Venables⁶². This occurs due to the fact that, for this perspective, the intersubjective dynamic of real contact only emerges as a relevant and necessary explanation for the problem of agglomeration when other forms of contact seem to replace the need for physical proximity, so essential as a justification of the relevance of agglomeration. Today, immaterial transactions present costs very close to zero at practically unlimited distances. We can thus try to define the methodological question that guides these more recent works about agglomeration based on the following question: “what justifies, under these conditions, the relevance of agglomeration?” The answer was found, or elaborated, by Storper and Venables in the scope of the intangible advantages of “buzz”.

The difficulty created by the expectation of maintaining the debate in the same field as their opponents led to an attempt to characterize urban space, based on the inclusion and observation of the dynamic of buzz, such as “communication technology”. It is important to remember that information is treated as a strategic element and even a productive force, as some would say, essential in the highly innovative branches that share an environment of uncertainties typical of the high-level post-Fordist corporate interrelation standard. In this field, developing communication between workers, between themselves and managers of new branches of the urban economy, is valued due to orality, gesturing, contextuality, intentionality and non-intentionality,



aspects that are simultaneous and possible only in face-to-face contact. To reinforce the role of distance for this type of communication, the authors appeal to the sociology of language, behavioral theory, structural linguistics and anthropology, in pursuit of elements for understanding the motivational aspects and subjective criteria implied in evaluating agents, information and sources involved in the success of face-to-face relations. As a result of this research, Storper and Venables present the following ideas: (1) “co-presence – being close enough literally to touch each other - allows visual ‘contact’ and ‘emotional closeness””, which promotes a communicative environment in a “complex” way and “on many different levels at the same time”; (2) beyond the deliberately intentional contacts, “these powerful tools are also available in the case of just ‘being there’ [...], in a complex, diversified urban environment”; (3) face-to-face (F2F) contact establishes a very special kind of trust, since “it is much more difficult to be insincere F2F than it is in other forms of contact”; (4) implicitly and informally identifying partners involves a range of possibilities superior to formal and impersonal mechanisms and “the city has an important role in fostering these informal screening mechanisms”. Therefore, “the final effect of F2F contact [...] goes beyond communication itself”, since “buzz is strongly motivating, in a sense which is psychological and bio-physical: it leads to the formation of desires and to the mobilization of effort to realize them”.⁶³

In this approach, in addition to the chain reaction, the existence of soluble demand, the availability of services and specialized inputs and the concentration of connection infrastructure with the global network, buzz emerges as a potent “communication technology”, especially in some major global centers. The specific characteristics of the communicational environment of F2F contact involves motivational aspects, emotions and non-verbal messages. Instead of appearing as a residual element, it emerges as something new in the competitive field of uncertainties that drive innovative fields. The concern with validating the ethereal field of buzz, founded on the dynamics resulting from face-to-face contact, however, also left out of this theory of agglomeration much more tangible, evident and significant aspects for the geographical centralization of capital. Moreover, when this “relational asset”, in which agglomeration transformed based on some theories, assumes a



central position in explaining the importance of these urban spaces for the contemporary economy, the theory yields to the explanation of the whole based on its results. Hypostatizing an effect of agglomeration as a cause *par excellence* of the very process of agglomeration will have a double consequence here. Not only is material and concrete space, as a factor of unity and a central element in the relation of factors implicated in agglomeration, shifted from understanding the very process of agglomeration, but, when it appears, it assumes the position of an inert surface upon which events considered important take place. The explanation of how this economy, social dynamics and agglomeration operate places each one of these elements outside of one another and, here, space emerges as the stage. This is why, for Ascher, “metropolization and metapolis constitute the framework in which economic, social, political and cultural forces are at play and will be at play in a sustainable way”.⁶⁴ Underlying this is a risk. It is trendy, in this case, deep down and at the foundation, to assert, strategically for some, an a priori, Newtonian or Cartesian conception of space, replaced by the perspective of the production of space. It is about space as a container separate from its components; a space containing flows and fixed objects, elements external to itself.

The revival of an abstract concept of space involves, as a counterpart, separating and emptying space of its social components. And this is the risk. To the extent in which this free and neutral space – a pure, cartographic, empty surface – is presented as an object of public, private or state planning, it fulfills its duty. The removal of social components, assumed in this conceptual slant, takes place in practice as a way of opening new and successive opportunities for making lucrative investments. It is in its relation with planning that this conception of space, as a mere externality of life, as a stage, therefore, fulfills its destiny, in a kind of “primitive accumulation of space”, in the words of Amélia Luísa Damiani.⁶⁵ This abstraction is a component of everyday socio-spatial practices, state policy and many social movements, and even a principle of activities of important economic groups.

In addition to the proximity of the fields of urban-regional planning, which can be analyzed from the perspective of an abstract conceptual matrix of space, the determination of the scale and elements to be mobilized in a process of



economic stimulus built the rapport of these theories with a new group of entities and redefined the roles of institutions that remained important. The old relation between Quantitative Geography and state planning, particularly in the central sphere of state power and at the national and regional scales, is now observed at the local and urban scales. This is based on the association of a thought pattern that is no less pragmatic, and at this time, derived from principles of endogenous development (or legitimized by them), with a strong presence of subnational powers built on this foundation. Having maintained the abstract concept of space as an essential link between this knowledge and planning, contextual elements help redefine the dynamics, agents and scales. Therefore, for

[...] the two varieties of endogenous development, however, the source of growth derives from specific local conditions that associate equally local resources for overcoming the productivity crisis resulting from the inflexibility of Fordist accumulation. As such, the fate of each location is strongly determined by their own socioeconomic conditions, locally produced factors.⁶⁶

This conception that permeates theories of revaluation of location and agglomeration frequently served as the main argument for subnational spheres of public authorities and some economic segments strongly interested in urban “renewal” to implement major urban projects responsible for opening successive new fronts of capitalist valuation based on the production and reproduction processes of urban space. The perspective of accelerated growth, increasing investment flows to the city, the context of a highly competitive globalized economy, created a kind of consensus at the foundation of entering a tacit political pact between the state, local capital and civil society and major global oligopolized capital. This is what Borja and Castells⁶⁷ considered a crucial aspect for promoting what they called “urban patriotism”, signaling the conceptual scalar slant in operation at this time. Therefore, the theory transformed due to the consensus that aimed to legitimize concerted actions between the state (with a strong presence of local authorities) and investors (under the dominance of major groups with a global presence), whose objective was the joint reproduction of power and capital.

In these terms, not only did using the theory alter the initial critical meaning but also revealed a principle useful for planning that provided new opportunities for making lucrative investments. In the field of academic production, the flexibility of the productive process and the forms of economic regulation, the mantra spread by the administration and the critics in the 1990s was accompanied by closing off the local scale, regarding the spatial scale of analysis. Consequently, it chose innovative districts and major metropolises as the scalar level and spatial forms most adapted to understanding the new dynamics in practice, as well as the scalar redefinition that emphasizes the geographical centralization of capital. Meanwhile, it was clear that new dynamics were at play. The interpretation that has been proposed involves the awareness that strategies of capital accumulation do not advance without the practical and effective mechanism of the production and reproduction of urban space. This means that critics must replace the conception of the city as a place of business with the understanding that the city itself has become the main object of major business activities. The conceptual field of the production of space enables this shift as a procedure of the critical analysis that moves towards exposing accumulation strategies in addition to achievements within an abstract concept of space, acknowledging and replacing this concept as a strategic element and no longer as an analytical instrument. If this concept is accomplished, producing an abstract space as a “concrete abstraction”, it occurs with a high degree of violence, separating in practice that which appears separate in concept, namely: space and its social component. The removal of housing, elements of history and memory, marks of time and social activities other than those that are no longer adapted to the needs of current accumulation emerge as “revitalization”, order or even as the organization of space. In fact, they represent the annihilation of past spaces, revealing the destructive force of strategies of accumulation with the reproduction of urban space as their primary material and essential object. It is only when we assume a conception of space in which it is not an *a priori* given of existence, that we can recognize the frequently limited and strategic nature of this abstract conceptual dimension.



Therefore, it is not about observing the processes, dynamics, objects and actions that occur in urban spaces in order to define them today, but about acknowledging the relevance of the production and reproduction of urban space at the core of contemporary strategies of accumulation. It is in this sense that the city is not taken merely as a place of business, but it is business itself that is carried out based on the production of urban space. Therefore, the centrality of metropolitan spaces for interpreting the more current dynamics of contemporary capitalism is not revealed in all of its strength and meaning based on the observation that the major metropolis has become the center for administration and businesses in the era of globalization. It is not about looking at the events and phenomena that occur in the city, but at the city itself as the main phenomenon and event that provides content and continuity to strategies of accumulation. The production of space and the possibility of the city as a business emerge here at the core of these strategies, and one of the segments that has the strength to reveal the relevance of redefining the paradigm is the real estate sector. In the case of São Paulo, activities in this sector were primarily responsible for the even greater strengthening of connections between the local dynamics of the metropolis and the global economy in the beginning of this century.

In the wake of reducing activities linked to the territorial expansion of investment in Brazil, historically dependent on public spending originating from the central spheres of state power, there was an attempt to reroute capital flows towards previously established metropolitan centers. This moment of reversal in the spatial routing of investments can be well represented by the effort made by some companies, traditionally linked to the construction of territorial infrastructure, and which grew from a context of accelerated territorial expansion, to take advantage of new opportunities in the face of a weakening geographically expansionist dynamic. Many of them, such as Camargo Corrêa, Mendes Junior, Odebrecht, CBPO, OAS and Constran, tried to migrate to the building industry from 1985 on due to the reduced pace of major public construction projects.⁶⁸ This movement continued and amassed capital from other branches that are also linked to the expansionist dynamic of the 1960s and 1970s. Rodobens, for example, which also began operating in the real



estate market in the 1980s, left the sales branch and truck dealerships and has been increasingly participating in property launches since then. From 1995 to 2000, “real estate activities were responsible for 20.8% of the investments made in greater São Paulo”. Far behind, the automobile industry was responsible for 17.4%, the chemical industry for 9.8%, retail commerce for 7.1% and telecommunications was responsible for 6.2%. Ana Fani Carlos emphasizes the fact that this distribution points towards “a new trend of the investment sector in the economy”. She links the expansion and concentration of the service sector in the metropolis to a powerful resurgence of capital invested in real estate accompanied by a construction industry “aimed at building vertical offices”.⁶⁹ As such, the construction of modern and efficient office buildings for rent as well as the sale of high-end residential properties feed the impulse given to the sector in the past few years. In other words, the redefinition of previously residential spaces for the development of a tertiary activity linked to more modern forms of corporate and fund management, as well as gentrification, stand out as powerful forces of space transformation and meet the expectations for making profit in the real estate sector. With the ongoing expansion of the capacity of the sector to accumulate capital originating from other fields of economic activity, it is important to mention that the ties between developers and capital markets have strengthened gradually since then. The creation of financial assets backed in real estate assets, in Brazil, accounted for a broad range of products that reached investors of various sizes and profiles. From 2006 onwards, the wave of IPOs that took over the segment of major developing firms established a direct link with the major capital that circulates in global financial environments.

Based on these links between the production/reproduction of urban-metropolitan space and the capital market, the social dynamics in these major centers began to respect the requirements of financialized segments, which meet the expectations of the financial capital that circulates at the global scale with incomparable fluidity. The removal of neighborhoods, facilities and the establishment of a changing urban morphology in these metropolitan spaces strictly follows the required capital profitability ratios in their most fluid form. Life in the metropolis is subject to the commands of this relationship standard



dominated by finance. Segregation, which comes with urban “renewal” and real estate valuation, constitutes a social phenomenon as important for understanding the spatial dynamics of the metropolis as the functionality of these new business centers that emerge in agglomerations. Both phenomena are understood in a unified way based on the perspective of the production/reproduction of space.

Activities in the field of developers present the production of urban space itself as a priority dynamic that sustains the processes of accumulation. Being essentially a productive activity, one of the few sectors in this area that presented growth after the crisis of the 1980s-1990s, developers guided the building industry towards a new status in its most recent phase. The fiscal crisis, productive restructuring, the financialization of the economy and the retraction of territorially expansionist dynamics attributed a new role to the metropolis in realizing excess as capital. The concentration of high-level soluble demand in these centers of increasingly financialized economic dynamism created new markets for an industry that no longer considered the production of urban space for residual or peripheral products, but as a central objective of its productive activity. Firstly, high-end corporate buildings in which major multinational companies kept their headquarters, and then, luxury residential buildings that met the demands of high-ranking workers in these corporations, and still, functional apartments for well-paid workers from financial, service and management sectors, among other modalities, only found effective demand in major metropolises that, at least, legitimized the surge in construction and the brutal transformations of entire city areas. However, attracting business in the city does not mean the city is a business. Effectively, urban restructuring projects, which always occur by associating public authority interests with those of various local and global capitalist sectors, frequently do without the service and management sectors, or they simply occur in parallel. The concentration of the so-called advanced tertiary sector works effectively as an important instrument for centralizing liquidity and circulating capital, but assumes the role, real or fictitious, of an important alibi for renewing urban space under the rhetoric of global intercity competitiveness. This operation has ensured increased capital revenue, either based on the consideration of its



intercorporate and interscalar organizations, or based on the consideration of the major earning power of global financial sectors. The production of space and the city as a business thus logically precedes businesses in the city, or replaces them.

In São Paulo, during the 1990s, the urban operations Nova Faria Lima and Águas Espraiadas began, transforming an entire region of the city, making “new” spaces available, through various means, for the lucrative activity of development. The removal of housing, lives, and habits, all ingrained in the streets and parks, on corners and in bars, reintroduced a space appropriate for use in the exchange circuit, restoring its exchange value, which had already been destroyed and consumed by use. The new face of the “tertiary metropolis” was not built without violent evictions and tractors erasing records and memories of the previous space. The new “identity of the metropolis” was not previously a demand of the new sectors established in it, but part of an organized strategy between public authorities and developer firms. From this perspective, a frontier opened up for capital investments left orphan by the crisis of the previous regime. In this specific case, it is not about urbanization, simply the production of space, but development in this field. It is about reproducing an already established urban space, producing and reproducing the centrality of and in the metropolis, and, therefore, a violent process that is exercised on that which is urban and urban life.

The productive nature of a portion of real estate activities does not mean, however, that it is a way to “definancialize” the economy and or provide relief from the crisis that reaches the most sensitive of productive sectors. Much to the contrary, it subjects the production process and the main product of this new economy to the imperatives of financial logic: urban space and the city. With the strengthening links between construction and the capital market, the timeline that is imposed on construction is increasingly that of financial markets and, consequently, projects, materials, and places become part of the strategies created by the sector to attend to demands that are not representative of consumption and use. With the IPOs of major developers, the cycle comes to a close, completing the connection between the local and the global through the most active sector in producing urban space. It is this income, interest and



profit, extracted from the reproduction of metropolitan space that allow for channeling and draining the surplus value for the whole economy associated to the global scale. Even when one considers the specific characteristics of the metropolis as a concentration of activities, possibilities, mechanisms and dynamics, instruments and infrastructures, which effectively makes it a place of business, it is the reproduction of urban space that is considered central for understanding the role and importance of the metropolis today. The city is a business!

Elements for future conclusions

The shift that has occurred based on a view of the “city as a place of business” to recognizing the “city as a business” thus involves, on the theoretical level, abandoning the notion of space as a stage and requires the observation of processes based on the dynamics of production and reproduction of space. On the level of reality, in the empirical and observable universe, it is the awareness that the real estate activity of development has stimulated greater profits in the productive sectors. Consequently, this is presented as a mediator between the local (the city, the urban, the metropolis) and the global (the major financialized capital that runs freely in the world, with almost no identity). The theoretical perspective adopted by some critical views on urban studies diverted their concerns regarding the awareness that it is the production and reproduction of urban space that is on the agenda of contemporary accumulation. This silence on the activity that points more clearly to the important role of the production and reproduction of urban space today probably results from this starting point. Looking at it from another angle, the construction and real estate sectors were openly disregarded by many of the important authors mentioned here.⁷⁰

However, the solution proposed in this chapter does not constitute a call to delegitimize the theories of urban space revaluation presented here. It simply suggests the need to replace the concept of space as a stage, in the theoretical field, as if urban space were simply a holder of an inert and empty material that

only gives support to the events and dynamics external to it, as if it were only a place of business. On the empirical and reality levels, we suggested the awareness of metropolitan real estate activities as an important branch for making profits today, which would transform the production of the city and urban space into an excellent business for capital flight from other sectors of accumulation. The perspectives critical of dematerialization and which have aptly aimed to revalue the role of metropolitan space in academic productions, considered to be central in the economic organization of our time, succeeded in being able to guide part of the critical debate based on the urban-metropolitan scale. The scalar adjustment of the concept of region occurred by emphasizing the essential phenomena that characterize each era. Today, from the point of view defended here, the importance of the assumption contained in the broad distribution of the concept of the city-region is valuable not so much because of the endogenous dynamics that their authors identify in contemporary life in metropolises, but because of an awareness of the importance of the metropolitan phenomenon. However, for the reasons presented earlier, the production of space is considered a paradigm superior to that of the production of scale, in which it is contained. This latter reason, despite being an important element in the whole process described, can set aside the strategic aspects involved in the production of space and is not the one that reveals the qualitative transition between treating the city as a place of business and the analysis of the city as a business.

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¹ Santos, 1996, p. 22.

² Idem, p. 23.

³ Idem, *ibid.*

⁴ Benko, 1999, p. 85.

⁵ Fernandes, 2001, p. 28.

⁶ Idem, p. 29.

⁷ Scott et al., 2001.

⁸ Idem, p. 16.

⁹ Idem, p. 11.

¹⁰ Sassen, 1998, p. 13.

¹¹ Sassen, 1993, p. 187.

¹² Sassen, 1998, p. 36.

¹³ Sassen, 1998, p. 90.

¹⁴ Idem, *ibid.*

¹⁵ Ascher, 1995, p. 35.

¹⁶ Idem, *ibid.*

¹⁷ Idem, p. 33.

¹⁸ Idem, p. 37-8.

¹⁹ Veltz, 2013, p. 7.

²⁰ Idem, *ibid.*

²¹ Idem, p. 10.

²² Veltz, recognizing the influence of the authors of the Third Italy for the advancement of the debate at the time, highlights that his approach "is incompatible with that of 'districts'. But distances himself from it on two fundamental points". Firstly, he points out that "the opposition between a world of small flexible and innovative firms, the main support for the territorialization of the economy, and a universe enriched with major firms buried in the models of mass production and indifferent to territories" seems to be "radically false". Afterwards, he points out "another point of discord with the theory of 'districts'", which is the fact that "it gives no real space to the larger phenomenon that is the metropolis". (VELTZ, 2013, p. 14)

²³ Veltz, 2013, p. 80.

²⁴ Idem, p. 83.

²⁵ Idem, p. 13-4.

²⁶ Scott et al., 2001.

²⁷ Idem, p. 13.

²⁸ Storper and Venables, 2005, p. 21.

²⁹ Scott and Storper, 2003, p. 582.

³⁰ Fresca, 2011, p. 32.

³¹ Scott et al., 2001, p. 13.

³² Fernandes, 2001, p. 32.

³³ Lencioni, 2006.

³⁴ Veltz, 2013, p. 10.

³⁵ Brenner, 2013.

³⁶ Fernandes, 2001, p. 32.

³⁷ Veltz, 2013, p. 68-9.

³⁸ Idem, p. 24.

³⁹ Idem, p. 35-6.

⁴⁰ Scott and Storper, 2003, p. 582.

⁴¹ Scott et al., 2001, p. 14.

⁴² Idem, p. 15.

⁴³ Scott and Storper, 2003, p. 581.

⁴⁴ Storper and Venables, 2005, p. 25.

⁴⁵ Idem, p. 26.

⁴⁶ Idem, *ibid.*

⁴⁷ Storper and Venables, 2005, p. 27.

⁴⁸ Idem, *ibid.*



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- ⁴⁹ Biderman, 2001, p. 31.
- ⁵⁰ Idem, p. 15.
- ⁵¹ Scott et al., 2001, p. 15.
- ⁵² Storper and Venables, 2005, p. 22.
- ⁵³ Idem, ibid.
- ⁵⁴ Storper and Venables, 2005.
- ⁵⁵ Sassen, 1998, p. 35.
- ⁵⁶ Fernandes, 2001, p. 26.
- ⁵⁷ Idem, p. 33.
- ⁵⁸ Fernandes, 2001, p. 33.
- ⁵⁹ A very detailed approach on this topic can be found in this book, in the chapter entitled *Scales of accumulation in the production of cities: global finances and urban development in Brazil*, written by Daniel de Mello Sanfelici.
- ⁶⁰ Ascher, 1995, p. 40.
- ⁶¹ Sassen, 1998, p. 13.
- ⁶² Storper and Venables, 2005, p. 31.
- ⁶³ Idem, p. 32-4.
- ⁶⁴ Ascher, 1995, p. 40.
- ⁶⁵ Damiani, 2005.
- ⁶⁶ Fernandes, 2001, p. 29.
- ⁶⁷ Borja and Castells, 1996.
- ⁶⁸ Fix, 2007, p. 55
- ⁶⁹ Carlos, 2004, p. 58 e 59.
- ⁷⁰ It is interesting the way in which this phenomenon appears in the book by Pierre Veltz. To characterize the crisis of the end of the 20th century in France, he literally “puts in parentheses” the building sector. For Veltz, the “period that begins in the mid-1970s is first perceived, adequately, as that of increasing unemployment and the rapid decline of industrial employment. The brutal shift of the manufacturing employment curve was produced in 1975. 1,400,000 jobs were lost from 1974 to 1988, leading the industrial headcount to the level of the beginning of the 1950s for men, and clearly below this for women. This decline in industrial employment continues until the 1990s. **The industry (with exception of construction)**, which held 24.4% of jobs in 1980 did not amount to more than 14% in 2004”. (VELTZ, 2013, p. 36, emphasis ours) However, the open exception for construction hides the important role that the sector played in the French economy from the end of the past century to the present time, with significant growth (close to 100%) in the 10 years between 1997 and 2007 (Cf. *Gecodia.fr: Economie et Finance*, November 30, 2010 - <http://www.gecodia.fr/>). Evidently, due to historical and structural conditions, the extent of the phenomenon in Paris cannot be compared to the case of São Paulo (due to morphological, procedural and size issues), and perhaps, for this reason, it had been precisely the São Paulo group that observed the importance of these dynamics for characterizing the contemporary economy and the role played by urban space in the current process of accumulation.

The Urban Tragedy

Ana Fani Alessandri Carlos

Urban society is not devoid of the savagery that includes a man deprived of his identity (given that it is subsumed in the universe of consumption), immersed in a socio-spatial practice permeated by prohibitions and norms, characterized by private appropriations, confronted with the misery experienced by man (with the exacerbation of surveillance) etc. These are the evident signs of the existence of the mutilating forces of the subject. This condition of the non-subject has been revealed in the segregated forms through which urban space is manifest on the level of experience, materializing it. Created over a long period of time, resulting from an accumulated history, space production is immanent to the reproduction of life. Today, under capitalism, this production, the work of civilization, has become the source for depriving life through the endless development of the world of commodities, as a form of carrying out the valuation process - the ultimate meaning of accumulation. The elements of this tragedy are the alienations experienced in all spheres of reproducing life. For example, the policies, which, by intending to overcome the crisis of social reproduction by fighting inequality, replace it and reiterate it. It is an inequality that is based on the centralized possession of social wealth generated by all of society in the hands of one social class, which also holds power, thus enabling the establishment of conditions for its reproduction in an alliance between the political and economic levels against the social. Therefore, this reality finds its foundation in the development of capitalism, in the modern world as forms of alienation, and, with them, a new form of struggle. The negative is realized through the conscience of space under the flag of the "right to the city".

The reflection presented in this chapter points out the importance of shifting the analysis from the production of things in space - and activities located in the city - to the production of urban space as a social product guided by the need to broaden the accumulation process, dominating the time and space of life. This direction makes space production - the social practice, as a spatial praxis - central as a fundamental element to the problems of the modern world, from the point of view of the accumulation process/reproduction of capital



as well as the reproduction of social relations. In this process, urbanization is implemented through the social production of the world reproduced in the historical conditions established as the product of a set of actions (determined in the heart of capitalist society through the reproduction of the social relations of production), shedding light on a more profound objective: the production of society as a whole.

In contemporary times, society is dominated by the economy, such that accumulation is accomplished in the production of a globalized space as a trend and moment for carrying out capitalism, pointing out that the need for overriding moments of crises takes place due to the incorporation of new productions to the accumulation process, among them that of urban space, which is implemented with the hegemony of financial capital. "Producing the metropolis as a business" is placed in this context, giving new content to contemporary urbanization, in which space emerges as a necessary condition for the process of capital reproduction. In other words, capital can only be realized through the strategy that makes space a moment of the productive process. At this time, reproducing the metropolis is a necessary condition for capital reproduction. Here, we address capital that is established in the specific production of space in the form of real estate enterprise (whether for offices or for housing). As social production, its realization is part of the nucleus of the accumulation process which, in financial form, is carried out, preferably, through the reproduction of urban space.

Therefore, what moves the world is the ever-increasing possibility of the social relations that constitute it to be reproduced under the logic of capital as a whole by connecting/juxtaposing the elements necessary for their establishment, in order to override the economic sphere to dominate all levels of reality, including the reproduction of all of society. The new moment of accumulation is centered on the process of space reproduction, which is a key element of the problems of the modern world, from the point of view of realizing the accumulation process and the action of the State towards creating the foundations of its own reproduction, as well as the production of life. Therefore, space production is, at the same time, a constitutive moment of human life (the social relations are carried out as space-time relations), of the implementation

of the valuation process, thus a condition for the realization of capital (in its dimension as a productive force as well as a commodity) and the establishment of the State as a producer of a territory of dominance (which makes the space strategic).

From the point of view of accumulation, the metropolis emerges as a location and support for the social relations of production (and of property), but in its foundation it is a condition and means for establishing the cycle of capital rotation, constantly recreating the places prone to the realization of moments of production, distribution, circulation, exchange and consumption of commodities - material as well as immaterial - as an ever-increasing possibility for realizing capital. In this process, the spaces of the metropolis are also configured as places of infrastructure necessary for the development of each activity, in particular, in order to glimpse an equation favorable for realizing profit. But every faction of capital acts according to its own logic (whether opposing or connecting) to promptly achieve its purpose: continuous accumulation. Flows and Fixed; materiality and movement; the process is established by the uninterrupted passage from one moment to another in the cycle of capital rotation (which, by turning, realizes capital as a valuation process), at the same time in which it gathers and connects individual capitals. In its objectivity, it points to a reality involved by the norm that organizes and guides the expanded creation of the production of commodities and of life because it dominates the work process, subsuming all social relations based on it (in and out of the industry, since it also dominates the structuring of the classes of society). In space, this means that the direction and changes in the forms, structures and functions of places in the metropolis bring with them transformations in use and access to the city for citizens outside the productive sphere, given that the logic that guides the valuation process continually produces everyday life.

In this sense, the concrete dimension of space production (which encompasses, but is not restricted to the purely material production of space) demonstrates a non-absolute objectivity; reality as the reproduction of social relations under the guidance of the inexorable expansion of the capitalist process, incorporating the space production of everyday life and shedding light on different strategies and projects. Under these conditions, the metropolis is



reproduced as a possibility for realizing the capital cycle of producing commodities as well as the raw material for effecting financial capital through the productive consumption of space. On the social level, the reproduction of the metropolis is implemented as a source of deprivation: the subject devoid of life conditions (in its creative possibilities), given that the reproduction of the metropolis is guided by the implementation of the exchange value against the use value. On the political level, the State creates the conditions for realizing accumulation through public policies capable of overcoming critical moments. An example capable of bringing together the three levels indicated is the *Minha Casa Minha Vida* ("My House My Life") Program.

The income data for 2010 show that the percentage of society that was below the poverty line decreased in Brazil with the reduction in the number of workers who earned up to three minimum salaries. This decrease has been translated into the incorporation of this population to the world of consumption, whether of commodities by increasing credit and the policies of decreasing/suspending product taxes, or by consuming space through access to housing, with the (national) social program My House My Life. There is evidence here that access to consumption has been established by extending the social foundation necessary for expanding the accumulation process, materialized as a new moment of producing the periphery in Brazilian metropolises. With this program, the State contemplates a need for the real estate market to ensure the expansion of the world of commodities, which can now reach a part of society that had been excluded from this market, despite being included precariously through space production. As a consequence, this part of society also accesses everyday life as a space-time organized according to accumulation by consuming signs of wealth widely broadcast by the media. As such, private life is invaded by guiding behaviors, building a new culture, a way of urban life, etc. Therefore, by climbing to another level of income, this population has been placed in the market on another level - that of everyday life, in which the world of commodities dominates all social relations, reproducing inequality, now in the sphere of consuming products and access to the space-times of living life, as Volochko demonstrates in the chapter "Housing

as a business: current components and spatialities of the valuation of metropolitan space".

Based on access to home ownership, another market of consumption has been established, incessantly broadening the market of property consumption. The strategy for broadening the networks of supermarkets on the peripheries is a good example. Therefore, the actions of the capital aimed at accumulation are not presented as blind development, despite the crises, but as strategies, producing a space and time necessary for maintaining the increased accumulation of capital. Therefore, mediating social relations, today we find the realization of commodities on all levels to an astounding extent with the increase of a consumption society, in which anything and everything related to it are subordinate. It is a process that has been taking place with the impoverishment and deterioration of social life. In this sense, the "fight" against inequality reiterates it in a perverse manner: "inclusion" in a society that constantly "excludes" is done by changing the social condition with respect to the market. Now, this peripheral population, which had lived outside of the formal housing market, is a consumer of the space-commodity, through the formal buying contract of housing, which reveals that the development of society is not reduced to an increase in salary nor is it measured by access to the world of consumption, but by the process that reproduces all social relations through the mediation of the world of commodities. This process transforms the citizen into a consumer, creating new forms of alienation.

1. The metropolis as a productive force

The movement of capital in its process of accumulation turns (social and historical) space production into a condition, means and product of the realization of the capital cycle, materializing the moments of production-circulation-distribution-exchange and consumption, mentioned above. The cycle of rotation can be considered two moments of circulation which are realized differently in time and space. The first moment refers to the exchanges in the market of buying manual labor (with the establishment of the labor contract),

purchase of raw materials, machinery, etc., connecting these markets in (the urban) space, integrated by a system of circulation (a road and transportation system) which allows for gathering the elements necessary for the realization of the productive process in the industry. On the other end of the productive process, another phase of the rotation of capital is located spatially and temporally - after the money has run through the production process in the scope of the industry (with the implementation of the work day), the commodity has been exchanged in the consumer market metamorphosing into money as a moment of realizing the surplus-value produced. Therefore, here, on another scale, spaces of consumption are found as consumer gathering spots in space, of places for gathering commodities, of installing a network of commercial infrastructure necessary for exchanges, connecting production to consumption through the distribution of commodities and concentration of consumers, which also requires a roadway and transportation system. However, as an assumed moment of the cycle that transforms money into capital, it is necessary to centralize the (potential) capital in the hands of a determined social class. With centralization, there is a concentration of the means of production, the work force and the network of infrastructure which enables production to be executed in its space-time simultaneity.

On the level of social relations, the exchange presents a requirement of accepting rules of buying and selling labor as well as the commodities produced. The realization of the cycle associated to the reproduction of social relations transforms the citizen into a consumer of products and services offered. The intervention of media and propaganda stands out in an important way in expanding the social foundation of consumption in the time necessary for renewing the cycle, since, by rotating, the capital reproduces its own conditions, which simultaneously assumes broadened reproduction.

Between the two moments of circulation, there is one of production. Production, in the strict sense, is located in the scope of industry, implemented in the work day, regulated by contractual social relations governed by the laws of the market and by the control policies of the State. If, in the scope of the industry, the productive process has its place determined and fixed, in the scope of circulation, space expands constantly connecting different space-times

of (and in) urban space. Capital in its various forms spans the phases of the production process and, in its metamorphosis, is valued in an incessant repetition and renewal, which qualifies the valuation process of capital as circulating. In this way, the requirement of this movement indicates the ever-increasing possibility of the valuation process, thus, the potential for accumulation. Therefore, the rationality of the cycle is based on sequences of acts carried out spatially and temporally in succession, simultaneity, a chain reaction of productive activities (uniting space and time, simultaneity and succession, inherent to a social practice), evidencing the importance of the costs of circulation in the devaluation process of capital.

The cycle of rotation thus contemplates the action of continuity and broadening/diversifying the scale of production. For capital, space emerges as a distance to be covered and eliminated by time which is revealed only as a quantity. Space and time become central to the valuation process and become an integral process of quantification, thus becoming abstract. By requiring simultaneity and continuity (the movement of a space-time passage from one phase to another of capital production/circulation, being realized in their continuity in space-time), production dialectically articulates the political, economic and social levels of various spatial scales defined in the heart of the productive process. As a condition and means of capitalist reproduction, space is a fixed centrality (gathering pole), a knot, simultaneity, in addition to its fluidity and accumulation. It is thus produced as a condition and means of realizing the capital rotation cycle. In the logic of realizing the capital cycle, the metropolis has become a productive force, a space-time of its execution, and has enhanced its development through the production of urban space as a whole, defining its uses, hierarchically connecting places in the socio-spatial division of work and, therefore, entering and redefining the socio-spatial practice. Social space and time undergo a quantification process - this process surpasses the place of the factory to take over the entire metropolis. In its generalization, this rationality unfolds for all of society. For capital, social reproduction is not only subjugated to the reproduction of the work force. For its realization, capital surpasses the area of the factory, in order to take over society as a whole and the space of the city - the place for the concrete realization of society. The use



of space submitted to the logic of reproduction - as a broadening of the industrial process for the generalization of exchange - transforms the spatial practice. By including all of society, the accumulation process gains other levels of reality: the production of urban space replaces the notion of totality.

However, this production process creates its own contradictions: the tendency of the rate of profit to fall inherent in the development of productive forces. To compensate this situation, a requirement of space-time compression has been created in the movement of the cycle. By increasing the rotation of the cycle and decreasing the duration of its phases, the strengthening of this space-time connection requires an increased speed of the rotation and, consequently, a broadening of the spaces of distribution and an increase in the number of consumers. In the scope of society, the development of productive forces points towards the creation of new possibilities for broadening the social base of consumption through the credit system; and, with respect to space, through the expansion of markets, surpassing spatial barriers. Upon execution, the cycle elaborates a network of relations mediated by the universe and by the world of commodities with their signs of happiness and language, permeating the social relations.

Therefore, overriding the crisis provoked by the tendency of the rate of profit to fall can only occur in urban production - the space-time compression - necessary for increasing the surplus value created in the process. The centralization of capital accompanies urban concentration, since it implies a gathering of diversified activities, such as banks, credit and specialized services for industries and, for the population, insurance companies, financial companies, cultural facilities, travel agencies, trips, in other words, an infinite range of activities, since new business opportunities emerge every minute. Industry has transformed the city and, from this point on, produced the metropolis as a hierarchical and functionalized space. The spatial division of work in society ranks spaces on a hierarchy, integrating them differently to accumulation - from the center of domination to the strongly controlled peripheries -, since reproduction imposes relations of domination through the intertwining of dominated and dominant spaces (which evidence the importance of the metropolis in the territory dominated by capitalism).

From the point of view of capital, the metropolis emerges as a productive force in the extent to which, in its economic dimension, capitalism organizes the space in which the flow of all types of raw materials and manual labor, the social and spatial division of labor, the structure of the exchange network, the density of the circulation of commodities and the concentration of people are regulated through State control. From the point of view of capital, the metropolis is therefore the space of accumulation, a product and general condition of production. Moreover, it is a political instrument linked to the State, which transforms the general conditions necessary for the development of capital in order to override the contradictions emerging in the heart of the broadened reproduction process and to control its expansion, since it dominates social reproduction. In this sense, we consider space production to also be the reproduction of relations of production.

2. The space-commodity

The world of commodities develops in new ways, including the commodity-space, which interferes significantly with the socio-spatial practice, due to the contradiction generated by the double determination of social work, which produces space in capitalism. Space as a commodity is thus transformed into an exchange value. Meanwhile, according to experience, the use value dialectically guides appropriations, ranks individuals in the metropolis on a hierarchy, since they are differentiated by the society of classes. The production of space as commodities is carried out on two levels: through housing production, an interchangeable commodity in the real estate market, without which the function of housing would not be realized; and through the production of the city itself through social work presented and accumulated over the course of history. For capital, the materiality of space is the foundation of the exchange value, the way in which nature, and by extension the urbanization process, created space as a real estate product and network of infrastructure, connecting the public and private in a socially distinct morphology. For society, it is predominantly the possibility of realizing life through uses. Through housing, the citizen is placed into the world. Private places, for carrying out one's private life,



is the point from which a subject is related to other places (space-times of materialized life) and with a community through multiple space-time appropriations. In capitalism, space produced as a commodity, sums and subsumes social relations and guides appropriation, since it establishes the public/private relationship, inside and out, delimiting and organizing life, constituting it in the connection between different and generalizing forms of appropriation of private/collective histories. The public is a space dominated by the State (through the multiple process of intervention and surveillance), in which the norm that regulates possible uses predominates with their prohibitions and permissions. This level of reality reveals the extreme inequality that is carried out in the fragmentation of places submitted to private appropriation, as well as to the access delimited by the ranking of uses in space.

These manifestations of space signal the alienation contained in these forms, which achieve the inequality upon which the society of classes is founded. This is based on the existence of the private ownership of wealth, which creates different accesses for citizens to the metropolis, as a whole, based on the acquisition of housing. This occurs because urban space production is founded on the contradiction between the social production of the city and its private appropriation. Therefore, the existence of the private ownership of wealth, based on a society of classes, and the constitution of space as an exchange value guide urban life. In the contemporary Brazilian metropolis, in which segregation gains its deepest dimension, it is this way that one can observe the passage from the strange world of objects (the production process of commodities guiding social relations) to the reproduction of urban space in fragments, an extension of the world of commodities to all spheres of life as a condition for realizing capitalist reproduction. Space becomes produced as a commodity in itself, as a necessary moment for executing accumulation. In this constitutive process, the metropolis emerges to the citizen as a strange force, that is, its production, a fruit of social labor that is privately appropriated, is experienced as external to man, a fact that renews alienation in the modern world.



On the other hand, urban production under capitalism also takes place against nature. The production process, which aims, at first, to immediately pursue profit and, as such, goes against the tendency of the rate of profit to fall, destroyed nature and, in large part, made it rare. As a rarity, nature is transformed into a "new commodity", incorporated to the moment of reproduction. In other words, if before it was a natural resource, which in the form of a commodity, participated as a raw material of the productive process, now it is nature itself that has become a commodity and whose sale is made through the real estate or tourist market. Therefore, if the ecological crisis is a product of capitalist accumulation - of the separation between the time of the process of continued reproduction of capital and the time of the processes of reproduction of nature itself - capital has found a tactic for obtaining profits from this situation.

3. The São Paulo metropolis

Today, in the metropolis of São Paulo, the urbanization process is implemented in the passage from the hegemony of industrial capital to financial capital, which evidences the constitution of a "business metropolis". However, if over the course of its constitution, the São Paulo space has been established through businesses of land as a source of income, today, the needs for realizing the accumulation of capital find in the construction of the (densely populated) metropolis a barrier to be overcome, since there is no possibility of expanding by occupying rural or natural areas. Therefore, from nature as a raw material to the process of producing the city of São Paulo and its metamorphosis into a metropolis, this now assumes the role of "raw material" for the new moment of urban production. It is the industrial metropolis itself that has become a starting point of the reproduction process under the guidance of financial capital. Now, it is urban land (created by social labor), and no longer rural land or nature, that is the exclusive source of urban business.

This means that, in the constitution of the metropolis of São Paulo, as a necessary development of the industrialization process, the extension of the



urban area was realized by the incorporation aimed at the real estate market of vast agricultural and natural areas, farmsteads and farms, which were fragmented as a condition for their commercialization. In this phase, the land, plots of old glebes, were sold in the real estate market in a process that was supported in an exchange relation based on use value, but which had portions of the planet privately owned, through its monopoly. Therefore, old farms were subdivided to the extent to which the urban area grew, pulverizing them into small properties, which originated today's neighborhoods. During this process, the real estate market was consolidated and, with it, access to housing, through the necessary mediation of exchange, led to the private ownership of land. With industrialization, the constitution of the periphery has been implemented as a possibility of the working class to occupy cheaper lands, given that these areas do not contemplate accumulated work, whether due to the lack of infrastructure (water systems, energy, sewage, telephone systems, etc.), or to the lack of collective services (health, teaching and cultural facilities). In these areas far from the city center, unsatisfactorily linked by the network of transportation, the working class builds its space in large part through unstable housing (with respect to the materials used, the size and the high density of constructions), in a deficiently designed morphology, with streets only outlined in the middle of the absence of public gathering spaces, for parties or for exercising outdoors. With little or no attraction for capital, the peripheries become labeled as unsanitary areas, where people are reduced to their status as a work force, dividing their time between working/commuting and self-building housing, reconciling the city sustained by the contradiction between the use/exchange value of urban space made into a commodity. The city center and the periphery are thus constituted in contradictory ways in their logical unity: the process of social reproduction under the command of the industrial capital.

But, if the urbanization process resulting from industrialization is due to the expansion of the urban area, which in its development encompasses old nuclei (today sub-centers of the metropolis), its reproduction occurs with the intensification of horizontal areas, due to the occupation of the empty crevices of urban space, or to the verticalization of old built areas. Nonetheless, at the end of the 20th century, the changes in the productive process have been

accompanied by a new cycle of space reproduction, which indicates that now reproduction is carried out under the hegemony of financial capital and the constitution of an urban society in the process of globalization. In other words, the valuation process as a foundation and horizon of capital reproduction is achieved in the context of changes that turned urban space itself into a condition for the realization of financial capital. Therefore, the industrialization process that produced the world of commodities is superseded by a new moment of accumulation, representing a jump in its history, which is achieved through the space produced.

Globalization as a guiding horizon of practice points towards the fact that the process of accumulation, by being achieved, is transformed. With this perspective, the ties with history are broken, as Lefebvre points out in his work *O fim da história* ("The end of history"). This situation has developed due to the constitution of an essentially urban society, a moment in which its values are established and imposed from the outside in, as an action and project of global social reproduction everywhere, transforming, deteriorating and reformulating old socio-spatial relations to attend to a new order. Therefore, from fordist production to flexible production, a change has been established in the sense of time as well as space. Time tends to decrease due to the use of productive techniques (mainly with automation, which leads to the development of managing stock, new forms of labor organization, which changes the contractual relation by making money flexible and automated in the spheres of production, etc.) while space becomes a distance to be eliminated by time.

In the case of São Paulo, the joint movement of the reproduction process of space in the metropolis, in the broadest context of the urbanization process, provokes the radical transformation of portions of space, indicating changes of uses resulting from the creation of new functions in the socio-spatial division of labor. The process can be understood through the following aspects: a) the decentralization of the industrial productive sector and the accentuated centralization of the capital in the metropolis, which does not mean deindustrialization considering that there are still state-of-the-art industries; b) the presence of new branches of the economy, particularly, of what is called the "new tertiary", contemplating the financial, tourism and leisure sectors, and



redefining the other sectors, as is the case of commerce and services to attend to the growth of these activities; c) the new public policies that guide investments in determined sectors and in determined areas of the metropolis through "partnerships" between city hall and the private sectors, leveraging the process of spatial transformation as a moment of accumulation; d) the transformation of money into capital with the creation of real estate investment funds, etc.

Therefore, urban problems are built upon the new issues that demonstrate historical determinations of the current moment and indicate a historical continuity and a discontinuity/unequal juxtaposition of the moments of its production. The discontinuity of spaces creates the dialectic concentration/dispersion or explosion of the city center with the excessive expansion of the periphery, which contradictorily contemplates various classes of income, various forms of occupation as a need to increase the valuation process. In this movement, fragments of space are incorporated and confrontationally condensed by migrating social classes: removing low-income classes from slums and moving them to distant areas, facts that break with the social ties that connect people to places and, for this reason, to the community. With respect to this, we can claim that: first, the meaning and role of space have transformed. Its production process in the heart of the productive process of society translates into a new horizon of valuation, which reveals the passage from space production as a condition for capital accumulation to space production as a condition of current reproduction in the face of the crisis of accumulation. Second, the distribution of surplus value generated in space production is carried out on the international level by connecting the sectors aimed at the business "of urban land". Therefore, capitalism has been transforming historical conditions for the purposes of its reproduction, whose terms are elucidated in the reproduction of a globalized space as a need to override moments of crisis of accumulation. This is an explanatory thesis of the modern world as a moment of urban space reproduction.

This process indicates that economic reproduction is carried out by means of spatial production at a time when money is increasing in value in the financial sphere, being connected to other factions of capital in a way that



restores the unity necessary for executing the real process of accumulation, as a moment of producing "a new space" in the metropolis. Therefore, the meaning and role of space have transformed.

3. 1. The metropolis as fixed capital

The way in which accumulation is carried out in the modern world, in the movement from the hegemony of industrial capital to financial capital, is preferably achieved through new economic activities that prioritize services. On the spatial level, space reproduction in the São Paulo metropolis indicates the moment in which financial capital is realized through space reproduction based on the destruction of old residential neighborhoods promoted by the application of money from the productive industrial sector to the real estate sector, associated to the set of industries aimed at construction. The current moment of urbanization reveals, as an assumption and condition, that historically-produced space (it is not, therefore, of a primary nature, which originates this production, but of a nature already transformed by the historical process) is the raw material based on which the urban is reproduced. In other words, in a moment of crisis of the industrial sector, the process of space reproduction in the metropolis emerges as a strategy for realizing financial capital to the extent in which the investment in real estate production, as a condition for applying capital, redefines the meaning of space which also, and preferably, assumes the condition of fixed capital. Therefore, the financial sector finds in the reproduction of urban space a possibility for realizing productive investments, while the real estate sector (allied to the civil engineering industry) constantly reproduces space as a consumable commodity. There are two juxtaposed movements: the production of the metropolis allowing for the realization of the capital cycle, at the same time in which, in its material dimension, it serves the reproduction of financial capital. As such, faced with the contradictions posed to the valuation process, capital finds in the reproduction of space a possible place to resolve the crisis of accumulation.



However, this process faces a contradiction of space. The **urban space that is reproduced in capitalism as a commodity** is generalized through the private ownership of land consolidating metropolitan space, which is densely edified (mainly in central areas). Capital, a producer of space, has created a barrier to its full development: space has become rare in the metropolis. In other words, the effective realization of the private ownership of significant portions of space producing the super-edified metropolis has created the **rarity of space**. The movement of capital, by being realized through the material production of the city, has produced its opposite. Space has become rare in the city center and its surrounding areas, a phenomenon that has materialized in the scarcity of land aimed at the construction of corporate buildings to attend to the growth and modernization of the service sector (such as those linked to the development of the financial, banking sector), which demands, in addition to new buildings (with specific qualities of technology, for example, in order to execute activities in a highly competitive market, the flexibility of activities, etc.), a condition of centrality, a network of circulation/communication and proximity. Faced with aging and the inadequacy of the areas in the city center of the metropolis for establishing new businesses, the companies aimed at the modern service sector and the financial sector are obligated to opt for new locations, without breaking away, however, from the centrality, which generates an expansion from the central area as a development of historic centrality, a necessary condition of this process. On the one hand, excess capital and the absence of specific edified areas to include new demands for metropolitan economic transformations; on the other, the scarcity of land available in the São Paulo metropolis, in the contiguity of areas where these activities are already being carried out. This situation forces the establishment of new strategies which are realized based on a broad alliance between factions of capital (industrial and financial), demanding of the State urban policies for the renovation/requalification of areas occupied by the metropolis, as well as changes in construction codes, zoning laws, in addition to applying laws of appropriation followed by the removal of the residing population, making urbanization a profitable business. This strategy also indicates the elimination of slums, which are in the middle of the path, as an immediate consequence of the valuation process of urban land, an initiative that is based on the discourse of



progress. This process becomes central to current reproduction and is revealed clearly in the metropolitan landscape.

This area of expanding modern services has been constituting a pole of attracting real estate investments, capable of hosting the new functions that carry on today, with the architectural treatment of high-end buildings and with the application of new technologies (the management and maintenance of buildings become important data of accumulation, since their deterioration will prevent the expected return of the applied capital, in the form of rent). The new economic activities that have developed in the metropolis are allied to the needs for reproducing investments, the reason for which a commodity is produced in order to develop new economic activities, at the same time in which a space for investment by the financial market is produced. The aforementioned process has materialized with the development of the market of renting offices through the expansion of the construction industry, which will correspond to the needs of the tertiary sector. In turn, to reduce costs (in a highly competitive economy), this sector prefers to renting the properties instead of immobilizing capital by purchasing private property. This way, the difficulties are compensated in the normal production-consumption circuit, revealing a strategy of applying capital. In this case, in order to attend to a new demand of the economy - the growth of the service sector -, the financial capital, associated to the industrial capital (the sector of construction industry), needs the alliance of real estate entrepreneurs with municipal authorities to develop, guaranteeing the management of the metropolis within the standards necessary for the continued reproduction of capital.

This is how, on the level of capital reproduction, the metropolis has transformed into a "business", the center for a network of places, which is structured on a global level, with constant changes in urban forms. In this space, the silhouette of industrial factories, the morphology of the slums, the density of horizontal residences, the parks and tree-lined streets give way to tall glass buildings, business centers, and shopping centers. These changes bring as a consequence congested streets and private surveillance as a product of migration from the capital to other economic activities. The economic, financial and political centralization of the metropolis has been reinforced in detriment to

the realization of everyday life through the metamorphosis of the use and function of places in the scope of the spatial division of internal/external work to the metropolitan area. This way, the space-commodity turned "real estate product" has transformed into a substantially different commodity from that which has been produced until then. The productive investment in space overlaps the non-productive investment, regulating the distribution of activities and uses.

3.1.1. The production of corporate buildings

In sum, the economy of modern services and the high competitiveness obligate a reduction in production costs, which will be realized with the flexibility of the work day (and the resulting reduction in social costs) and the change in the status of the property, from purchase to rent. On the other hand, these activities demand a type of building that the real estate market does not contemplate with a specific location, centrality.

The way in which financial capital is realized by means of the space reproduction process is very complex and we will present it through the circuit that produces corporate buildings as a new commodity in the movement of accumulation in the metropolis. Capital as a whole is realized through the contradictory movement of its factions: financial, land and commercial. In the current moment of production in the São Paulo urban space, the realization of financial capital encompasses broad articulation with other factions, under the coordination of the State. It is this way that profits and accumulated money are directed to the financial market, which will be applied in the production of corporate buildings, in the form of real estate investment funds. Initially, this capital-money will be applied to the purchase of land, which means that a portion is transformed into land capital. Consequently, another part will be applied to the construction industry and transformed into industrial capital.

However, these two moments indicate that these office buildings can only realize capital (the factions of capital inverted in it) via the intervention of the real estate sector, which is responsible for renting and administering the



property. This way, the money from real estate funds, potentially capital, will be realized through the private ownership of urban land, which corresponds to the first moment. In the second moment, profit is realized through the construction of the building. This movement, which realizes financial capital as productive capital, thus producing space, requires a third moment in which the commodity, the office, is realized through the intervention of the market of renting properties, a moment in which the investment is paid off in the form of interest for the prior application. By investing in the production of an office building, the aim with the expenditure of money is to obtain "more money back", in the form of rent. Therefore, renting offices will realize the exchange value of the real estate product created in the industrial circuit. What matters for the investor is the return of his investment. However, expansion of accumulation requires overriding another contradiction: urban land needs to lose its fixedness, in order to make it liable for applying the investment of financial capital. In other words, the application of money on urban land needs to become an element of quick capital return, which finds shelter in the need to reduce production costs of offering new services. On the one hand, for the investment, applications on real estate businesses need to find a path to override its immobility. On the other hand, the need to reduce production costs must find means for overriding the immobilization of money in property. This obstacle is overridden through the market of renting the property.

Accordingly, building offices aimed at the lease market, aimed at the reproduction of the factions of capital (the industrial connected to the construction sector realizing profit and the financial as the realization of the bank and land capital), has the fundamental assumption of realizing the exchange value (the final objective of those who buy office spaces built with the purpose of investment). At a moment in which companies prefer to reduce costs, by renting properties instead of buying, the time during which the investment is immobilized on urban land decreases. It is this way in which use that is in a dormant state in this type of investment is connected inexorably to the realization of the exchange value. Certainly, there is a "speculative" nature at stake, which assumes use, but its objective in the act of purchase is the exchange value that the intermediate operation of leasing will realize, the



valuation of the capital invested in the form of rent returning as interest of the invested capital. However, in order for the process to gain the movement that enables its continuity, management of the building is fundamental, since it is necessary to keep it occupied all the time, which is achieved by leasing the offices and allows for the return of investment as interest of the capital applied to the production of the buildings. The characteristic of this process is that capital as a whole - realized by means of the metamorphosis of its forms over the course of the process - reproduces the metropolis as a possibility of establishing businesses, in a way that a portion of the space produced in the form of a corporate building moves the reproduction of financial capital. This way, space is fragmented due to the private interests in pursuit of profitability.

Two more aspects should be pointed out. First, use can come to have various meanings; there is a substantial difference between the purchase of a house and the purchase of an office to be rented. Therefore, there are various interests involved in the use of space in both real estate operations: while the businessman rents property in order to implement use of the space, the investor purchases the property to rent it because it represents a return of the money, realizing the cycle of the financial capital invested in the construction of the building. Second, this process requires intervention by the State, paying for urbanization (to build infrastructure and direct budget investments) such as changing zoning laws, construction norms, regulating the "stock of land" (due to its rarity), working directly on the realization of urban operations, which will release areas to the market, as well as coordinating the financial system by means of regulations, or even by creating investment funds, capable of raising sparse funds, gathering individual and small investors directing the application of money to space production. By redirecting urban policies, the State has built the environment necessary for this capital to materialize and transform the metropolis into a space of valuation, in an alliance with the economic sectors involved such that this area is included in the global market. This way, the surplus value created in the material production of metropolitan urban space has been distributed on a global level through the fusions of companies aimed at incorporating properties. The material and objective construction of this space is done in detriment to the social classes that reside in the areas targeted



by real estate speculation. It is guided by public policies that create the conditions of removal, whether by applying the law of appropriation, or allowing for the elimination of slums to construct new buildings using the argument of areas "of public interest". But this change promotes others, such as transferring the population that pays rent, since the valuation process that accompanies the transformation of the area makes the rents increase, the sale of properties in the area by the owners who are obligated to do so, since the explosion of the neighborhood denies them life and the fact that the valued lands are an incentive for displacement. As such, the commodity-space gains new meaning with a change in the orientation of financial applications, which produces space as "fixed capital" for the realization of capital as a whole.

In this sense, space production is realized on another level: space as a significant and preferential moment for realizing financial capital indicates a change in meaning from urban land to capital, which is no longer a place of fixedness of the investment in order to become a place through which it can be implemented. Therefore, the reproduction of urban space reveals the production of the metropolis aimed at private interests of the greater capital, outlining the trend of submitting means of expropriating space to the world of commodities and to the logic of ownership. In this day and age, the metropolis as a business promotes the movement of accumulation in which financial capital assumes the orientation of the process centered on the production of surplus value, which is substantiated through space production as the central focus in the hands of the real estate sector. This does not mean that their old functions have been set aside. Capital continues producing commodities in the scope of industries, as well as the urban infrastructure (bridges, overpasses, subway). But now, accumulation involves another sector of the economy - space production as a real estate product. Nonetheless, it is about the historical moment in which the established reproduction on a global level directs local processes (space production in the metropolis). The distribution of profits resulting from urban land - through productive consumption - has its profits distributed on the international level as a result of making urban land flexible.



4. Everyday life and spatial conscience

The violence with which the transformations resulting from the productive structuring reproducing metropolitan space evolves in everyday life with new forms of alienation, understood by various means of making life unstable and of deteriorating public spaces, with the increase of socio-spatial segregation. Segregation as a form of inequality evidences different accesses to the urban and to life in society. Under capitalism, the assumption is inequality expressed in the concentration of wealth in the hands of one class and is materialized in a space turned commodity, in which the exchange value gains centrality, defining the place of each citizen in the socio-spatial hierarchy. The metropolis produced as a source for producing surplus value leads to a vertical contradiction of the use value-exchange value of space, increasing socio-spatial inequality due to the transformation of space into an extension of the world as a commodity. This way, the process that Lefebvre called the victory of the exchange value over use value has been observed as a meaning and direction of the process of space production in capitalism.

On the level of everyday life, segregation as a form of inequality demonstrates the difference in accesses to the urban and to life in society. The metropolis is reproduced as external (estrangement and recognition, which permeate the socio-spatial practice), where the deprivation of rights establishes and directs social relations renewing alienation in the modern world, in which spatial conscience is the other of this production. Segregation emerges and is expressed in everyday life in the face of the extensive process of deprivation that accompanies the realization of life. It appears and is constituted in fissures and gains meaning in the gathering of people regarding the dissatisfaction of needs never attended to; of the injustices in the distribution of social wealth; of the intolerance between members of different social classes; of the public policies that constantly replace inequality using the discourse of inclusion; of the new relations between the State and the private sectors of the economy, which are defined based on the public policies aimed at space by means of new class alliances; of the absence of public spaces as places for communal life and, in this sense, of a narrowing of the public sphere etc. It appears in various forms

of disputes and confrontations that have been occurring in the metropolis, in a strengthened gathering of resistances to the hegemonic processes. This way, the contradictions of the modern world are clarified as contradictions of the process of urban space reproduction.

Therefore, the conscience of space as that of the realization of life is managed in the struggles of social movements. They are the ones that challenge the planning of the metropolis by questioning the orientation of spatial policies guided by the valuation process of capital in detriment to the realization of life, which leads to a consequence of reducing the content of the socio-spatial practice (deterioration and impoverishment). This is due to the fact that everyday life exposes the spatiality of social relations, the immanence of space production in establishing social relations that instill and give meaning to human life (and its reproduction).

Life accompanies the privatization of the world by being realized today as a source of depriving rights in the face of expanding commodification, which limits the uses of space. The expansion of the private ownership of wealth dilutes the rights of access to the metropolis and to urban life. As a consequence, mediating social relations, we find a commodity that subordinates life to its logic, reducing it to abstract forms. Citizenship restricted to the sphere of consumption is a product of reproducing the levels on which the inequality immanent to capitalism is replaced, a fact that resistances do not fail to point out. This situation indicates that the crisis is not reduced to an economic crisis, since it is, in the first place, a social phenomenon that contemplates a set of social relations. The subordinate status of society as a mechanical reproducer of capital amplifies the conditions of deprivation. In this process, the spheres of life are automated, which tends to be closed in on the private sphere, fed by social life simulations through culture and sport, for example. New components of urbanity are revealed, in which the divided subject experiences space in fragments, and thus the dispossession of his own humanity.

The struggles surrounding access to the metropolitan space, by questioning this reproduction and the direction of the spatial policies realized by the State, point towards the need for "rights to the city" as a possible realization of humanity lost. This right is the other of "urban as a business".



5. From the city as a business to the urban as a business

The analysis presented in this chapter allows for an understanding of the urbanization process in the modern world based on São Paulo and sheds light on the role and importance of space in capitalist accumulation, whether as a productive force for capital, or as a business in the hands of the holders monopolizing the land (through private ownership). The transformation of land into income in the evolution of the urban area as creator of the São Paulo metropolis appears in the academic literature in the notion of the "city as a business". We have proposed the idea that, in the 21st century, what is sold in the market as a necessary moment of accumulation is not the city, but the urban. This is justified since its meaning transcends that of the next order, focused on the land/area to be sold in the market aimed at the cycle of rotation of the space-commodity by implementing the income from land. Now, it is about businesses linked to the implementation of financial capital, therefore a new moment of urbanization that points to new components in which the urban is constituted as a whole connected through (economic, political, social, cultural) levels and the juxtaposition of (local, metropolitan, global) scales being interpreted dialectically. By presenting theoretical requirements, the centrality of the analysis of the notion of "space production" obligates us to think in depth about the complexity of what is real. It is necessary to contemplate the movements/moments of an urban society, focusing on its real and future reproduction (towards development), as well as its contradictory movement. This highlights the struggle for space from the point of view of realizing capital in moments of crisis, as well as of society with respect to the materialization of life, which includes building dreams present in the reproduction of man.

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Reproducing the city as a business and segregation

Isabel Pinto Alvarez

On the empirical level, the brutal inequality that is present in the different morphologies in the São Paulo metropolis seems to indicate that if the city is produced as a business, it also produces segregation at the same time. If being produced as a business makes it possible for private ownership, as well as the production and circulation of value and exchange value, it is simultaneously produced as a struggle for the city whose main foundation is appropriation and use. In this sense, the case of São Paulo, in addition to the recently produced real estate centralities, among which the southwestern region stands out, what best reveals the city as a business are the numerous occupations for the right to housing, either on the outskirts or in the city center. The violent repossessions attest to the strength of the State in defending the interests of real estate ownership to the detriment of the right to use and to housing.¹ Moreover, the organized movements and/or manifestations, occupying the streets and parks, demanding a wide variety of rights (mobility, access to health services, the right to protest etc.) can be understood as a rejection of a city produced for profit and the desire for a city produced for the people. In São Paulo, according to the FipeZap index, the variation in property prices between 2008 and August 2014 was 212.7% for sales and 98.2% for rent. According to the Consumer Price Index (IPC-FIPE, acronym in Portuguese), for the same period, inflation was 40.08%², which has revealed, especially in the past few years, a difficulty in paying for housing, bearing in mind that, in the same period, the growth of minimum wage (which had a policy of beating inflation), for example, was 74.4%.

Has the city always been produced as a business? We understand that this is not a transhistorical issue and, therefore, we can only find its features in the capitalist city, that which is established according to the most general processes of capital reproduction, which have the intrinsic need to produce and create surplus value and to privately own land.



Cities under capitalism, especially since the expansion of industrial production, have been increasingly produced as a commodity, in fragments, through work that has been defined in it, which has value contained in it (use value and exchange value) and also as a means of capital circulation, enabling it to be properly carried out. Reclus³ described the cities and metropolises, especially London in the 19th century, as major works of civilization, but also revealed their contradictions, especially the decay and deterioration of the rivers, the vegetation and the air. The author pointed out, then, what we call land mobilization as a commodity in the countryside and in the city, provoking intense migration and exponential growth in the metropolis. He also indicated that building housing and infrastructure was not linked to the needs of daily life but to the interests of landowners, speculators, 'presidents of financial unions', such that the city materially reproduced class distinctions and interests.

It seems to be that the contradiction between the social production of space and its private appropriation through ownership, as well as the needs and interests of classes, lays the foundation for the production process of the capitalist city. Carlos⁴ considers the production of the city to be a business in São Paulo in the transition from the domain of industrial capital to the domain of financial capital in the metropolis, enabling an understanding of the current production of space as a real estate product. By revealing the mechanisms through which real estate property is mobilized through new possibilities of connections with the financial sector, the author shows how the different factions of capital are achieved by producing a new city in the metropolis, consisting especially of corporate buildings concentrated in the southeastern region.

Is city as a business therefore a specific characteristic of this historical moment? It seems to us that by claiming that the city is produced as a commodity, as a value, a use value and exchange value, the possibility of thinking about it as an interchangeable asset is established, produced under the logic of valuation and, in this sense, as a business and as segregation. This consideration means recognizing that we cannot understand the city merely as a concentration of businesses and activities, so that we can reflect on its production as such. This presents the need to understand it in the scope of the



more general characteristics of social and capital reproduction, while remaining attentive to the role of private land ownership and that of the State, since they are fundamental elements of this process.

1. The formation of the real estate market and segregation at the end of the 19th century

The legal constitution of private land ownership, its transformation into a monopoly and patrimony, went into effect with the proclamation of the Land Law and its regulations from the 1850s on, especially Law n. 1237/1864, which revamped the mortgage law and regulated the credit unions. However, according to Brito⁵, the survey of and control over land ownership by the municipal administration, the definition of rural land, urban land and wasteland, generated a political dispute between the City Council and the provincial authority, the former having won, in 1859, the right to maintain the land grants (as opposed to the general norms) without following the legal requirement of surveying and plotting the lands. This requirement distinguished between land for private use, land for public use and land for grants, which makes it possible to maintain clientelism in the distribution of land. According to Brito⁶,

The decisions regarding privatizing lands, which supported the intense urbanization process that followed in São Paulo, were significantly permeated by the exchange of favors and by influence peddling.

Therefore, we see that the land market was being established in the heart of a contradictory process that involved, on the one hand, the creation of legislation and measures that aimed to establish the public parameters of its operation and, at the same time, the rejection of this precept with practices of favoritism. The need to legally register and recognize private land ownership, at that time, was related to its transformation into the main mortgageable asset, especially beginning in the early years of the Republic. In São Paulo, this status boosted the formation of a real estate market, urbanization (especially through improvements companies and urban services) and the expansion of the coffee



economy. At the same time, it triggered a greater circulation of money, titles and debt.⁷ From this process, one can see that the hegemonic sense of urbanization in São Paulo was that of producing a primitive and, in part, fictitious capital. The needs of those tens and hundreds of thousands of people, who would come to live in São Paulo and who constituted the urban-industrial work force, were on another level.

From 1870 on, urban growth in São Paulo intensified with the massive arrival of migrant European workers⁸. The housing conditions, sanitation, water supply and transportation became insufficient and precarious, at least for the lower income population. The main type of popular housing was the tenement, which was characterized by the high population density per housing unit, the filth and common use of latrines, cleaning rooms and stoves. Though this situation could be found in old hotels, pensions and duplexes in the city, many tenements were produced privately, specifically with the purpose of leasing to working families⁹. According to Campos¹⁰:

In fact, the lack of housing was already observed in the final years of the 1850s, the time in which one still dreamed about the construction of the English railroad, and it was only aggravated with the passing of the decades. The rent was exorbitant and the constructions offered were old and unstable. At the beginning of the industrialization of São Paulo, to the nascent proletariat, there was nothing left to do but huddle together in shacks or in sordid cubicles put up by speculators. The profit accrued by owners of the tenements was so large that the City started charging a heavy tax on this type of subnormal housing since at least 1877.

Therefore, we observe that the moment in which land ownership comes into play in the more general circuit of capital reproduction, making it interchangeable and mortgageable, urbanization intensified with the migratory flow and fed this process. As such, at that time, in order to live in the city, one had to pay a high price. Ownership constituted the intervention of use and life in the city, making socio-spatial segregation a component present in the production process of urban space.

Growing urbanization triggered the need for its regulation by public authorities. After all, the city of São Paulo began housing not only workers, but also representatives of the coffee economy and the growing industrial and urban bourgeois. More than that, the urban businesses, which include expanding through new plots (and finance, through credit), could be more profitable if the power of the State declares minimum building standards, as well as some zoning. This would thus privilege determined portions of the city and simultaneously leave portions of territory that were not regulated (the suburbs and rural areas, at that time) up to the interests of speculators. Having legally established private ownership and created the real estate market, the limits of intrusion by the State were defined.

In 1886, in tune with the principles of urban sanitation developed in Europe, the Code of Conduct¹¹ went into effect, which, with more than 300 articles, regulated everything from the opening, paving and building of streets, land grants, economic activities, norms of hygiene and health, to the requirement for vaccines, a ban on drumming and master-servant relations.

Art. 20¹² calls attention to our present purpose, which deals with the prohibition of tenements in the city, unless determined building rules are adopted: minimum plot width, minimum room height and size, a demand for and determination of the size of doors and windows. It is also worth noting that all factory activities considered pollutants were prohibited from being used in the city (arts. 104 to 109), as well as hospitals or locations receiving the sick considered contagious. The code also prohibited the presence of those considered vagrants or beggars in the city. We thus see that the State, through the law and power of policing (expressed in the same law), aimed to regulate the growth of cities and urban life, determining standards for buildings as well as for conduct, forcing out of the city (but allowing in the villages) everything that was considered dangerous, unhealthy and bothersome for more wealthy residential neighborhoods and the urban center of São Paulo.

The precarious housing conditions, associated to the high density, made the environment of the tenements conducive to the spread of diseases. At that time, the elite and health physicians were greatly concerned with small pox, cholera and especially yellow fever. In 1893, by order of Theodoro Sampaio,



then-director of the State Sanitation Department¹³, a committee of four doctors and one engineer was formed to inspect and report on the conditions of worker housing in Santa Ifigênia. The choice of this specific location was related to the high housing density of the neighborhood (9.24 people per building) and to the detected cases of yellow fever.

In 1893, the report presented by the Committee for the Examination and Inspection of Worker Housing and Tenements in the district of Santa Ifigênia identified 65 tenements in 14 blocks. The committee minutely described buildings and housing conditions, indicated measures and pointed out building and sanitary parameters to be adopted in worker housing and villages. It proposed the ban and demolition of buildings considered condemned, a prohibition on building new tenements and determined that those that already existed "be submitted to a very special regimen of policy and hygiene, that nips abuses in the bud"¹⁴. The report also indicated urban parameters and incentive policies that should be adopted in building worker villages and that it would be ideal to build them in a radius of 10 to 15 km from the city of São Paulo, with the establishment of railroads allowing access between the city (the workplace) and housing.

The Report served as a foundation for the promulgation of the State Sanitary Code in 1894. As a result, with respect to the concern for sanitation and public health conditions, the determination to force the poor out of the cities and demolish worker housing became evident. Properties classified as collective housing (which housed a large number of individuals) could only be built outside of the urban conglomeration and building tenements was strictly forbidden, with those already existing ordered demolished by the municipal governments. Associating these norms to the Code of Conduct, we see that the concern was not to protect and/or guarantee housing for the lower income population, but simply drive them far away from the cities, closer to polluting factories, slaughterhouses and asylums.

A few years prior to the publication of the Sanitation Code, between 1879 and 1891, according to Rolnik¹⁵, the neighborhoods intended for the elite of São Paulo were formed, with wide tree-lined streets, large plots and single-family residences/small palaces. This was the case with Campos Elíseos, Higienópolis

and Avenida Paulista, the first two beside Santa Ifigênia, which presented a high concentration of tenements. The author shows how the promulgation of a specific legislation guaranteed the urban standard of these neighborhoods, reinforcing the existence of an elitist centrality in the city. Rolnik claims¹⁶:

The key to the effectiveness in delimiting a precise social territory is evidently in the price: large plots, increased spacing, no co-housing; this is the formula for those who can pay. The law, by defining that there can only be a certain standard there, performs the miracle of designing an invisible wall and, at the same time, creating an exclusive commodity in the land and property market. This thus allows for a high return on the investment, even considering the extremely low coverage of the plot.

Access to property has therefore defined the place of each one in the city, or the impossibility of living in it. At the end of the 19th century, urbanization expanded and became more complex, advancing the role of private land ownership as a guarantee of the growth of the coffee and industry economy. To this end, the role of the State was essential, whether in defining land ownership as a primary mortgageable asset, in the expansion of urban infrastructure or through urban regulation. Urban regulation, which public authorities exercised with the justification of regulating ownership (through, for example, expropriations, bans and demolitions, on the one hand, and the guarantee of exclusive urban standards, on the other), in fact, only reinforced it, making it a fundamental intervention in the hierarchy and fragmentation of urban space. This increased the possibilities of the production of the city being established as a business, producing segregation.

2. Reproducing the metropolis, property as a foundation for financialization and deepening segregation

Today, producing the city as a business has increased, associating it to the transformations of capitalism, notably to productive restructuring and financialization. This moment places the importance of the production of space on another level. As Carlos claims¹⁷, this moment indicates the transition from



space as a general condition of accumulation, to its production as a fundamental moment of the process of capital reproduction. Based on Lefebvre¹⁸ and Harvey¹⁹, it is possible to measure the importance of space production, which has been converted into an economic sector of utmost importance to capitalist reproduction, as a buffer for the crisis of accumulation and, at the same time, a producer of a new urban area, whose hegemonic meaning is that of the viability of reproducing value and/or simply income. This is if we take into consideration the intrinsic relation between the production of space and financialization, increasingly depriving cities of their historical content, their references and public spaces for social interactions, leading space to its deepest meaning as a commodity. However, differently from other commodities, space production is about the production of conditions for reproducing life, which replaces the dimension of use and appropriation, increasing struggles for space. In this context, the role of the State gains even more importance, whether in regulating the alliances between the land, real estate and financial sectors, whether in defining urban projects for urban renewal/restructuring, or even in the use of violence to redefine the area that belongs to each one in the city, like that which has taken place in the violent processes of repossession on occupied lands or buildings.

The metropolis of São Paulo, densely edified, segmented in its uses and activities and the centrality of the accumulation process in the country, holds in its material a large amount of value, at the same time in which value circulates through it, through its use. Since the mid-1970s, but more intensely from the 1980s forward, it has been undergoing a process called restructuring by Lencioni²⁰, which is about its expansion (through economic activities, means of living and entertainment) to a radius of 150 km, increasingly connected by paths of communication and transportation that form a macrometropolis. Its center (the city of São Paulo) increasingly centralizes economic and political decisions, technological development, innovation and the process of accumulation.

As we have previously claimed²¹, the links of this process are associated, on the global level, to the crisis of capital reproduction over the past few decades, which has been developing through the productive restructuring²² of neoliberal policies and financialization. On the level of the metropolis, this has

indicated the need to transform the existing material, making it plastic, flexible to the way in which the capital needs to circulate and reproduce during this time. This condition presumes a devaluation of what is established and a revaluation through new uses, buildings and infrastructure. As such, the intraurban transformations in São Paulo have been very meaningful in the past few decades, and, for this devaluation-revaluation to continue, the role of the State has been fundamental. It can interfere with properties in several ways: appropriating, removing, changing, breaking up and/or joining plots, defining new uses, establishing infrastructure and building fragments that will be targets of future investments. Therefore, the reproduction of the metropolis is carried out by the State and disregards the way in which the consummation of life gave meaning to these places.

Our hypothesis here is that the capitalist crisis led to the possibility that the metropolis as a whole, though selectively, is in the international market of titles and debts, making it a foundation for financialization through the mobilization and realization of private ownership.

Real estate ownership, in capitalism, is not capital per se, but due to the monopoly of its possession, through a legal form of ownership, it allows for the capitalization of part of the general surplus value. This grants to its holders not only the possibility of use, but that of absorbing part of the social wealth through exchange, freeing up this immobilized capital to enter the general circuit of capital valuation. Since it enables current and future gains derived from their monopoly, property is a patrimony capable of serving as a guarantee for loans and credit and, therefore, is engaged in future work. Harvey²³, in addressing the ownership of land and income, claims:

Renting land, capitalized with interest over some imaginary capital, constitutes the "value" of the land. What is purchased and what is sold is not the land but the right to the income that it produces. (...) The buyer acquires the right over the projected future gains, a right over the future fruits of labor. In sum, the right to land is converted into a form of fictitious capital.²⁴

We think that these considerations are related not only to the ownership of land, but to the ownership of real estate. The considerations by the author

point towards the strategic role of land ownership in the capitalization process, as well as in speculation, such that the reproduction and renovation of property are not only constitutive processes of primitive accumulation, but inherent in the development and continuity of capitalism.

If we consider that we have lived in the past few decades in a regime of financialized accumulation²⁵, the gains derived from different types of ownership - of land, brands, knowledge - tend to become increasingly important and autonomous, becoming a guarantee of negotiations of titles in the financial market, independently of whether they undergo the productive process. Therefore, the idea that real estate ownership is converted into a form of fictitious capital and that this is the hegemonic form of capitalist reproduction today, is presented as a key element for positioning the city as a business and sheds light on an understanding of the violence in the current reproduction process.

A hypothesis to be considered is that shifting part of the capital to the so-called real estate sector of the economy when the reproduction of capital is in crisis, is related, on the one hand, to the organic composition of capital in this sector²⁶, but on the other, to the intrinsic quality of the monopoly of the property to be converted into a foundation for financialization. This condition enables us to point out that, at this time, the production/reproduction of space is guided by the liquidity of the financial market, which raises the logic of producing the city as a business to exponential levels.

In the pursuit of understanding and updating the discussion on land income, Carlos²⁷ points to the fact that, in producing the city and the metropolis, land is not the means of production but the condition for production, and that generalizing the production of space as a commodity points towards generalizing the production of value (for work) through urban production. In this sense, for the author, it is more about a process of space valuation than income:

[...] which means that the ownership of urban land as a monopoly allows not only for fulfilling the value of a fragment, but also the appropriation of all the work that is summarized in the production of the city (derived from the



fixed capital incorporated to its physical space as a whole, as a movement intrinsic to its historical production)."[3]²⁸

The author sheds light on an important issue: the production of space right now seems to behave like the production of value and of the city itself as value. In this sense, we can say that the process serves as a foundation for reproducing fictitious capital, by reproducing the monopoly of ownership, no longer only of land, but of fragments of space.

The constitutive process in this direction contained everything from regulations that enable greater flexibility regarding the property title, making it the foundation of capital to be mobilized in the financial market, such as, for example, Property Receivables and Real Estate Investment Trusts, even the institution of deeds of trust. This provided a greater guarantee for the expansion of credit, granting effective possession of the property to the lender until it is paid off. However, State action through plans, projects and urban norms has also been a fundamental condition, selectively guiding public and private investments to determined fragments of the city.

This process conflicts directly with the production and reproduction of the needs and desires ingrained in the life that has developed in cities, which presents, at first, the question of what and for whom the city should be. According to a story published in 2010²⁹, 50 thousand families will be removed compulsorily in São Paulo between 2006 and 2015 due to projects by public authorities of an environmental nature (parks, restoration of water sources), roads and transportation. Some of these families have had their properties expropriated because they had a legal title of ownership, but a large part received only a compensation and/or rent check, the amount of which was not enough to cover the costs of new housing. Therefore, these projects created a demand for new popular housing, such as, for example, the Água Espraiada Urban Operation, one of the Urban Operations under construction, which will displace at least 8.5 thousand families³⁰. According to studies by a group of researchers from the School of Architecture and Urbanism from the University of São Paulo (FAU-USP)³¹, in August of 2012, there were 486 slums located in



areas that would undergo some type of intervention from different kinds of projects.

From our perspective, since the 1980s, the policies of space intervention in the metropolis of São Paulo point towards the need to make the valorization process of space and the gains resulting from ownership possible, associating it to the financial market. We understand that material and the distribution of activities and uses, established during the previous period of the production process of the metropolis, have become differentially obsolete, making space reproduction not only a product of new relations and a new moment of capitalism, but a condition for its fulfillment.

This process gains even more significant proportions when, beginning at the end of the 1990s, the deregulation measures of financial capital and, in parallel, the creation of instruments linking it to the real estate sector were established in the country, defining the current moment. The Master Plan presented in 1985 had, for the first time, Urban Operations as a mechanism of linking the State and private interests in transforming certain portions of the city. The Zoning Law of 1972, which defined possible uses in each zone, coefficients of use, occupation taxes, minimum plot sizes, spacing, and were directly related to the Master Plan of Integrated Development of 1971, did not express the situational reality of the metropolis, due to the inflexibility in determining functions, and made it difficult for the move from obsolescence to revaluation. In 1986, through Law 10.209 (later altered by Law 11.773/95) the Interconnected Operation was created, which enabled a one-off zoning alteration, building indexes and an occupation tax through paid compensation from the interested developer, which would be used for building social housing³². Supposedly, therefore, the real estate market would be responsible for building social housing. However, according to the Parliamentary Inquiry Report by the City Council of São Paulo, which investigated the interconnected operations, there were irregularities in the calculation of compensations, such that the most common situation found in the cases analyzed was evaluation below the market value. Moreover, the report pointed out that some of the projects handed over as compensation were incomplete and others had a lower footage area than what was determined by the Terms of Agreement³³.

If the Law of Interconnected Operations enabled a one-off flexibility of the Zoning Law, the Urban Operation Law, in turn, would allow them to extend this condition to a previously marked perimeter in the city based on this permit mechanism. In other words, just like the interconnected operation, the urban operation depends on the interest of the real estate sector (builders, corporations, etc.) in order to be carried out. This would explain, according to Nobre³⁴, the failure of the Anhangabaú Urban Operation of 1991 and the success of the Faria Lima Urban Operation of 1995 in terms of the amount of proposals presented.

In 1995, a step forward was taken in the logic of attracting investors and in constituting ownership as a foundation for financialization. Through Law 11.732/95, which instituted the Faria Lima Urban Operation, it was possible to directly connect the future valuation of the perimeter of the operation to negotiable titles in the financial market through the Certificate of Additional Construction Potential (CEPAC³⁵, acronym in Portuguese), as seen in articles 13 and 14 of the law. The CEPACs, as well as the urban operations, were incorporated into the writing of the City Statute³⁶, leading to the possibility for this instrument for mobilizing real estate ownership to have a national scope. In São Paulo, the CEPACs are negotiated on BOVESPA (the Brazilian stock market). The site of this entity is educational in that it presents the advantages of this kind of investment:

An opportunity for those who believe in the real estate valuation of a target region of projects by the municipal government. The permission to build additional areas or modifications in use beyond what is allowed by law can mean a difference in real estate investments. The assurance of investors is guaranteed by documentation that the municipality presents on the project, modifications on the urban perimeter and distribution of resources. Moreover, they can use all the assurance of an operation placed on auction and a secondary negotiation in the environment of the BM&FBovespa.³⁷

One can see the importance of the State in conducting this process and, especially, in the guarantee that there will be an increase in value, derived from the urban project and from the investments to be made. The guarantee is the



new material to be produced, through its transformation into real estate values, negotiated in the financial market, including the secondary market.

For the Água Espraiada Urban Operation, five sets of title distributions were carried out, while for the Faria Lima Urban Operation, three sets of titles were issued³⁸. Fix³⁹ and Carlos⁴⁰ pointed out the processes by which the real estate centrality resulting from these operations constituted a clear alliance between public authorities and private investors (builders, corporations and national and foreign investors), removing the presence of the slum population (with the removal of the slum in Jardim Edith, for example), changing uses, reaping references and identities.

In the Master Plan of São Paulo in 2002, in addition to the Faria Lima, Centro and Água Espraiada operations, eight new operations were drafted.⁴¹ It is worth pointing out that, in the case of the Água Espraiada Urban Operation, the first one established in the model of the City Statute, a large part of the funds raised were invested in the construction of the Otavio Frias Filho Bridge, known as Estaiada Bridge, on which buses, bicycles or pedestrians do not circulate. Inaugurated in 2008, it provoked an above average price increase in the real estate in the surrounding upscale neighborhoods⁴², showing that the law, by determining that the funds raised with matched funding should be invested in the perimeter of the operation, does not guarantee that it will be used to resolve segregation. On the contrary, it reinforces valorization to the extent in which it concentrates investments.

Our attention is drawn to the fact that in the same City Statute, the instrument for the progressive property tax was established over time, whose principle is that of combating real estate speculation, motivating the occupation of areas and properties of the city that are in locations with an already established infrastructure. The mechanism for this would be to charge the owners a rate higher than the tax on urban property. However, while urban operations were being regulated and put in progress, the progressive property tax depended on a complementary law, approved only in 2010. In 2013, with a change in administration, City Hall created a department for regulating the registration of properties and finally announced, in 2014, that it would begin notifying owners of 150 properties and empty plots, located in areas classified



as Special Zones of Social Interest (ZEIS, acronym in Portuguese) with urban infrastructure. In these twelve years (if we count the approval of the Master Plan in 2002), while many properties were empty and with debts to pay off with public authorities, hundreds of families were removed, left without their homes and simply received a rent check. In 2013, more than 22 thousand families received rental assistance of R\$300.00⁴³ by the City Hall of São Paulo⁴⁴.

The current process of reviewing the Master Plan of São Paulo has put on the agenda interests involved in producing the city. From the point of view of social movements, the most organized and active one in this struggle has been the movement for housing. From the point of view of the real estate sector, there have been more than a few stories emphasizing the views of the sector regarding a "chokehold" on investments in the city, especially when certain propositions are debated, such as the solidarity quota in new mega-enterprises. Producing the city as a business highlights the struggle for space and at the same time the city as a place for political struggle.

The State has the prerogative of action over real estate ownership and over public investments. More than this, it has the legal instruments of coercion that enable the production of the "new" in the metropolis. The rationale and strategy of the State are imposed and, instead of the predominant regulatory perspective of the metropolis in the sense of guaranteeing that reproduction is achieved on a lower level of socio-spatial segregation, it has increased. The struggle for space has been exacerbated by demonstrations and numerous new occupations, whether in empty buildings downtown or in areas on the outskirts, claiming the right to live respectably in the metropolis. Today, these struggles reveal a production of the city as a business.

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Notes

¹There has been a great deal of news about occupying new areas and/or cases of repossession carried out violently. I present here only some of the more recent ones <<http://www1.folha.uol.com.br/cotidiano/2014/04/1439097-pm-cumpre-reintegracao-de-posse-de-predio-no-ri.shtml>>; <<http://g1.globo.com/sao-paulo/noticia/2014/09/sem-teto-fazem-protesto-na-zona-sul-de-sp.html>>; <<http://noticias.terra.com.br/brasil/cidades/reintegracao-de-posse-tem-confronto-com-a-pm-em-sp.7da1bc793dd78410VgnVCM3000009af154d0RCRD.html>>; <<http://www.cartacapital.com.br/politica/centro-de-sao-paulo-e-palco-de-conflitos-apos-reintegracao-de-posse-1928.html>>; <<http://www1.folha.uol.com.br/cotidiano/2014/07/1492175-pm-faz-reintegracao-de-posse-em-area-invadida-pelo-mtst-no-morumbi.shtml>>; e <<http://blogdosakamoto.blogosfera.uol.com.br/2013/09/09/ocupacao-reune-15-mil-familias-e-pede-desapropriacao-de-area-em-osasco/>>.

² Information available at: <<http://economia.uol.com.br/financas-pessoais/calculadoras/2013/01/01/indices-de-inflacao.htm>> and <<http://www.zap.com.br/imoveis/fipe-zap/>>.

³ 1985

⁴ Carlos, 2005

⁵ Brito ,2004

⁶ Brito ,2006 p. 81

⁷ Brito, 2000

⁸ To illustrate the magnitude of the process, we appeal to Bonduki (2011: 20), who shows that, between 1886 and 1900, the population of São Paulo grew by more than 195 thousand people and the population density per building increased from 6.27 to 11.07.

⁹ Bonduki, 2011

¹⁰ Campos, 2008, s/p

¹¹ Código de Posturas do Município de São Paulo.

¹² Código de Posturas do Município de São Paulo, article 20, paragraphs 1 to 7.

¹³ Cordeiro, 2010

¹⁴ Relatório da Comissão de Exame e Inspeção das Habitações Operárias e Cortiços no Distrito de Santa Ifigênia:1893, em CORDEIRO, Simone Lucena. *Os cortiços de Santa Ifigênia: sanitário e urbanização*. São Paulo: Imprensa Oficial, 2010.

¹⁵ Rolnik, 1999

¹⁶ ide, ibidem, s/p

¹⁷ Carlos, 2001

¹⁸ Lefebvre , 2004 and 2008

¹⁹ Harvey, 2009

²⁰ Lencioni ,2004

²¹ Alvarez, 2014

²² Here we use the term 'productive restructuring' as a process that involves change in the standard of producing and distributing commodities. Its foundation is in the incorporation of new technologies and organization of the productive and distribution process. However, it is mainly based on the transformation of work relations, increasing the instability of worker relations and rights and structural unemployment. Following Paulani (2009), we understand that it was driven by financialization.

²³ Harvey ,1990, p. 370

²⁴ La renta de la tierra, capitalizada como interés sobre algún capital imaginario, constituye el "valor" de la tierra. Lo que se compra y se vende no es la tierra, sino el derecho a la renta que produce (...) El comprador adquiere um derecho sobre ingresos futuros previstos, um derecho sobre los frutos futuros del trabalho. Em pocas palavras, el derecho a la tierra se convierte em uma forma de capital fictício.

²⁵ Braga, 1997; Chesnais, 1999; Paulani, 2009

²⁶ (Lefebvre, 2008)

²⁷ Carlos, 2011

²⁸ Carlos, 2006

²⁹ Report published in the Folha de São Paulo, 25/10/2010. Also available at: <<http://www1.folha.uol.com.br/cotidiano/2010/10/819680-projetos-publicos-em-sao-paulo-expulsam-165-mil-pessoas-de-casa.shtml>>.

³⁰ According to the report available at: <<http://www.redebrasilatual.com.br/cidadania/2013/11/comunidades-se-organizam-para-enfrentar-proxima-fase-da-operacao-urbana-agua-espraiada-902.html>>.

³¹ They are researchers affiliated to the Labhab/FAU-USP. Study available at <http://observatorioderemocoes.blogspot.fr/2012/09/mapa-de-remocoes.html>

³² Therefore, the law became known as the De-slumming Law.

³³ City Council of São Paulo. Final Report of the Parliamentary Inquiry Commission regarding the possible irregularities in the interconnected operations, 2002.

³⁴ 2004

³⁵ This is the sale of the building potential beyond what is determined by law, in certain perimeters of the city, determined by urban operations.

³⁶ Federal Law 10,257/2001.

³⁷ BM&FBovespa. Available at:

< <http://www.bmfbovespa.com.br/pt-br/mercados/fundos/cepacs/cepacs.aspx?Idioma=pt-br> >.

³⁸ It is worth recalling that the Faria Lima Urban Operation began in 1995, before the CEPACs.

³⁹ Fix ,2001

⁴⁰ Carlos, 2011

⁴¹ Law 13.430/2002. Strategic Master Plan of the City of São Paulo, article 225, paragraph 2.

⁴² According to the report published in 09/01/2013: “Imóveis disparam e vendas travam ao redor da Ponte Estaiada”. Available at: <<http://invertia.terra.com.br/imoveis/noticias/0,,OI6429483-EI11434,00-Imoveis+disparam+e+vendas+travam+ao+redor+da+Ponte+Estaiada.html>>.

⁴³ Equivalent to US\$125.71. It is a monthly payment for displaced families who did not receive another property. This value is very low and leads families to have to search for housing farther away or to share already precarious housing with family and friends.

⁴⁴ Source:< http://www.habisp.inf.br/arquivos/programa_acoes_de_habitacao-auxilio_aluguel.pdf>.

Strategies of the (re)production of space in São Paulo

Sávio Augusto Miele¹

The objective of this chapter is to present some analyses on the debate regarding the complexity of the process of urban space (re)production in a metropolis such as São Paulo based on the investigation of modern real estate activities.

The urbanization of the metropolis of São Paulo takes place by intensifying contradictions at a time in which economic decisions are presented as fundamental in the urban production of space and in shaping the São Paulo metropolis. Examining the current moment of urbanization experienced in the São Paulo metropolis and the content of this process that, from the moment in which it is no longer brought about by industrialization and becomes the driving force of human practices¹, becomes a revealing process of human life in the city and man's performance as a producer of his space and existence. The urbanization process can reveal, at the spatial level, the strategies of space reproduction, capital and life in the city. The complexity of the process of urban space (re)production reveals new processes and social subjects that emerge in the constant movement of spatial reproduction.

In this context, the urbanization process of the São Paulo metropolis materializes in new forms and new components related to contemporary capitalism, characterized, in general, by a productive restructuring in the industry and a financialization of the economy. Urbanization, and no longer industrialization, becomes the driving force of social processes. In other words, urbanization is carried out with components that tend to become autonomous in the face of industrialization. However, it is in the productive process that extracting the excess (a condition of accumulation) and producing wealth in the capitalist means of production takes place, though controlled by an increasingly present financial system, which becomes the central element in the reproduction of productive relations. Finances have gone from being a product to a producer of social relations, opening the path to their economic primacy.

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This process presents us with a contradiction: the categories of capital in crisis still reproduce it socially, though they can no longer account for the process as a whole, since the reproduction of the capital cycle requires new conditions to be carried out.

What objectively supports the theoretical reflection assumed here is the urban reality of the São Paulo metropolis, since its urbanization contains real and concrete processes that are effectively linked to more profound and current connections of capitalist reproduction (connections from the realization of value), which have the potential to transform socio-spatial practices, revealing the way of life in the metropolis. In this sense, the metropolis emerges as a cross between two points: the more general relations of society and the social relations produced in everyday life.

The problems raised in this chapter are related to the integration between finances and real estate in the urban production of space at a time characterized by the growing financialization of the real estate sector and a real estate reorganization. We begin with the hypothesis that, based on this relation between financial circuits and the real estate sector, the production of space emerges as a condition for realizing financial capital applied to the real estate sector. The production of space becomes a condition for capital reproduction, especially its financial aspect. It is not about discovering the real estate sector and the large amount of capital that this sector of the economy needs and its direct relation with the urban (re)production of space, but its financialization, which emerges today as an important element for the reproduction of the financial sphere of capital. It had, as a condition and means, turned space into a commodity and, as a product, the contemporary metropolis became characterized by its connection with the global level. Based on this idea, we observe that the urban production of space, as well as the development of the real estate market, has limitations expressed by the contradictions internal to the process of the capitalist production of space. Moreover, the real estate market as well as spatial reproduction are carried out by implementing strategies, by pursuing a logic and rationale that have been severed, since the process itself, as discussed here, can become an obstacle to its reproduction. Therefore, over the course of this paper, motivated by the search for answers to

these initial questions, we arrive at the idea that the production of space as a condition for realizing various types of capital, as well as its valuation, presents something that contradicts it. However, this negation internal to the process emerges as a possibility of expanding it, producing new contradictions as it replaces others.

It was through the analysis of one part of the metropolis of São Paulo – the focal point for financial economic and service activities that expand in the city center towards the southeast/south of the metropolis (also known as the southeastern region) – that we observed the establishment of a real estate market aimed at corporate office buildings, composed by economic groups of the metropolis joining with the State and characterized by the increasing presence of investments of financial capital in real estate activities. The challenge is to consider the (re)production of space in a valued region of São Paulo that incorporates the conflicts, negotiations, connections and strategies undertaken there. From the point of view of capital realization and investments in the city, the aim of this challenge is to overcome a contradiction: valuation (including of space) as a contradictory condition of capital reproduction. From the point of view of use and social reproduction in these places, it is necessary to reflect on socio-spatial practices and the intensifying segregation.

The starting point for the analysis is the economic and political aspect that is part of this process. Focusing on these aspects does not mean we are disregarding the social level. On the contrary, the social level emerges in theoretical and practical terms as a challenge for this analysis. Given that this is a region in the process of valuation since the 1970s, there has been a continuous process of buying-selling-expropriating-removing residents, including the removal of slums. Jardim Panorama, a slum located in the region since the 1960s, is our starting point for discussing a segregating process that evidences the conflicts over the use of urban land.

1. The production of space in São Paulo in order to establish a critical real estate market



We are experiencing a time in which the production of space is carried out, in part, through various strategies of capitalist reproduction. The capitalist rationale is increasingly present in the urban production of space, turning it into a specific commodity. This movement has become clear through the fact that space is sold and exchanged and that this condition makes all space in the city interchangeable. Another issue is that of space placed within the connections of capital reproduction when in the process of valuation.

The production of space and its valuation now seem to be conditions for the valuation of capital in the financial sector of the economy applied to the real estate sector, evidencing a movement between financial globalization (the productive process in capitalism commanded by a financial system, an important element in the reproduction of productive relations) and its relation with the urban production of space. Harvey² claims that the reproduction of spatial structures can be treated like an active movement in the global temporal dynamic of accumulation and capital reproduction.

As such, the current production of space can be understood as an implied process in capital reproduction, in addition to becoming a determining factor for the faster cycles of various types of capital.

It is in this sense that new spaces and new real estate products emerge in certain regions of the metropolis. These projects have not been carried out all over the metropolitan urban fabric, since they follow a logic of production guided by strategies of valuation that select/rank regions of the metropolis for concentrating investments, revealing the spatial selectivity of capital, which imprints its logic on the landscape and produces a ranking of places.

Productive consumption is one of the attributes of space today. In other words, the production of space is part of the new strategies of accumulating portions of capital linking various sectors of the economy. We highlight the connection between the financial capital (from large, medium and small investors), the industrial capital, mainly the construction industry, and the parts of capital that comprise the real estate sector.

We understand that the financial end of the process, as well as the structure of real estate investment funds and public offerings made by real

estate companies, presents contradictions in its development. To what extent does space itself, which is the condition and means for the process in question, present barriers to the financialization of real estate and to the realization of financial capital through the production of space? This question is of a theoretical and practical nature. Theoretical because it features the negation of the process and practical because of space itself, as a central element for the realization of the process in question here, converted into a barrier and a limit to be overcome. We are also faced with a contradiction of space: how does space become a barrier to its own production? Based on the assumption that space has become a commodity, we can reflect that it is not meant to be ready and finished. When we consider the market of high-end commercial buildings that need economic and political centrality provided by the expansion of the more advanced economic, financial and service focal points, we find ourselves faced with the scarcity of space. Put another way, since the more sophisticated sector of services can only be located in this specific section of the city of São Paulo, there has been an increasing reduction in the number of properties available for the construction of these projects, making space, in addition to scarce, more valuable. On the other hand, reflecting on residential real estate production, we observe that the acquisition of land has become fundamental, though not in the sense of developing a large inventory, but in the sense of applying capital to future developments (buying land and building as quickly as possible). Moreover, the logic of the operation of the residential real estate market does not necessarily require the same parameters of location and valuation of space when compared to those required by the market aimed at corporate buildings.

The development of capitalism and the realization of capital have an internal quality that we can define as a critical reproduction. This reasoning is tied to the idea that the realization of capital immanently brings a unique adversity: the extent of the crisis. The difference in this reasoning is that it is not about a simple adversity. As Grespan³ writes, it is an adversity that is inherent, internal to the “processes that capital realizes as a manifestation of a basic contradiction of capital”. It is not an opposition. In the process of its realization, containing the extent of the crisis in terms of adversity, capital also expresses the moment of crisis as a “critique” that capital itself exposes in its realization.



This moment is composed of the exposure of its contradictions in a trend of replacing, overcoming and emerging of new contradictions. As Grespan writes:

[...] understood as an expression of adversity inherent in capital, the crisis is at the base of the critique of capitalism, according to a specifically Marxist meaning of 'critique': it is not an external reflection that points out the limitations of this system, but the limitations reached on its own with the development of its strengths and with the exposure of its fundamental contradictions in the processes that it carries out.⁴

The objective of this discussion is to bring to the debate the idea of the existence of an adversity of capital in the terms presented above, as well as to point out that the realization of capital by means of the urban production of space presents us with limitations of capital and of the production of space under capitalism.

By considering space a central element in the reproduction of productive relations, we take into account that, as previously claimed, the production of space can be seen as a process implied in the reproduction of capital. In general, we are faced with the migration of capital between sectors of the economy that will be applied to the production of space on two levels. First, in building infrastructure for the circulation of capital and commodities, which Harvey⁵ calls "spatial adjustment", and investment in the real estate sector, a concern that motivates our investigation.

By addressing the topic of "spatial adjustment", Harvey⁶ points out a trend internal to the links for realizing capitalism, overaccumulation, which will require, according to the author, a spatial reordering of capitalism. This overaccumulation, a product of the expansionist trend of capitalism and present in the reproductive links of this kind of production, is characterized by a moment in which there is a sum of capital to be invested. Simultaneously, this possibility is not found in the circuits of capital valuation, thus preventing profitability. As such, there is a risk of devaluation, since capital, as Marx wrote, is circulating and needs to participate in the circuits of valuation of value to be realized as capital, such that the devaluation of capital points to its not being realized as such. Spatial adjustment, therefore, refers to an application of these other types

of investments in other places such as in the production of space, or as we mentioned earlier, in the production of infrastructures in space. This mechanism can alleviate or delay the problems relative to the trend of overaccumulation. However, when investments are made in large infrastructure constructions, the capital is immobilized in capital fixed to land, making it slower for the capital invested there to turn over. However, faced with the problem of overaccumulation and devaluation, this capital can be applied this way, even under the risk of it not being realized as value. This movement is linked to the previously mentioned idea of crisis. As such, Harvey claims:

[...] the theory of overaccumulation-devaluation reveals the intense destructive power that lurks beneath capitalism's façade of technological process and market rationality. In the course of a crisis, vast quantities of capital are devalued and destroyed, the laborer and their labor power suffer a like fate, and capitalists cannibalize and liquidate each another, in that 'war of all against all', that is the ultimate hallmark of a capitalist mode of production.⁷

Investments in the real estate market also tend towards avoiding this devaluation. However, the dynamic of this market, its investors and the strategies of those who direct it reveal another relation between the immobility of real estate and the mobility of capital and its importance for the current capitalist economy.

Lefebvre points out the migration of accumulated capital in the private industrial sector to the real estate sector and claims that "the role played by real estate [...] continues to be poorly understood, poorly situated within the general mechanisms of capitalist economy". The author writes:

Real estate functions as a second sector, a circuit that runs parallel to that of industrial production, which serves the nondurable assets market, or at least those that are less durable than buildings. This second sector serves as a buffer. It is where capital flows in the event of a depression, although enormous profits soon slow to a trickle. In this sector, there are few 'multipliers', few spinoffs. Capital is tied up in real estate. Although, the overall economy (so-called domestic economy) soon begins to suffer, the role and function of this sector continue to grow. As the principal circuit – current

industrial production and the movable property that results – begins to slow down, capital shifts to the second sector, real estate. It can even happen that real-estate speculation becomes the principal source for the formation of capital, that is, the realization of surplus value. As the percentage of overall surplus value formed and realized by industry begins to decline, the percentage created and realized by real-estate speculation and construction increases. The second circuit supplants the first, becomes essential [...]⁸

Regarding the financialization of the economy, it is important to highlight two moments: the flows of capital from the productive sectors to the financial sector and the application of this capital in the real estate sector. Kurz⁹ wrote a paper claiming that the financial investments in real estate would be a second financial bubble, though he calls it real estate finance, which has the role of delaying the crisis. With the financialization of the economy, the migration of capital to the real estate sector becomes a gamble, a speculation, but, based on this process, significant amounts of capital are invested in the real estate sector as a possibility of its realization.

As Carlos proposes,

“[...] the current moment thus signals a transformation in the way in which the financial capital is realized in the current metropolis; the move from the application of the money accumulated from the industrial production sector to the real estate sector. Therefore, the commodity-space changed its meaning with the change of the direction of the financial applications, which produces space as a real estate product [...]¹⁰

The central ideas of the passage cited above about real estate as a second sector of the economy that absorbs the shocks of the development of capitalism is the starting point for what we consider to be new and different in the process, since there are new components corresponding to each moment of the general reproduction of capitalism. What this process points out is that urban land does not emerge only as a store of value (mainly in moments of industrial crisis), but increasingly as a possible investment to generate more



value, implying strategies that make the production of space a productive sector. In other words, it becomes a condition for accumulation, which makes the real estate sector gain central importance, mainly when strategies are made concrete, which give potential mobility to capital. Financial investors (private or legal individuals; residents in the country or foreigners) gamble on real estate as a possibility for realizing their capital. This process takes place in the generalization of the commodity that presents space as such, making it so that more space becomes part of the circuits of valuation. What emerges as new in this process is that the valuation of space and its production today take place in a new economic dynamic: the realization of financial capital, which makes the production of space gain increasing importance in the sense of guaranteeing the reproduction of productive relations.

Therefore, we can claim that this process is not linear and that, once located in the general reproduction of society under capitalism, it is prone to the critical moments of the realization of capital. This way, we cannot understand this migration of capital between sectors of the economy, mainly the relation between finance and real estate, without taking into consideration the “obstacles to the reproduction of capital in the real estate sector”¹¹ and the production of space itself as a barrier to its realization.

Based on our investigation, we consider the valuation of urban land and the scarcity of space to be obstacles to private property. According to Botelho¹², private property is already a barrier to the free entry of capital in the construction sector. Private property, a central element for capitalist reproduction, becomes an impediment to the production of space. Another point addressed by the author is that the construction sector has to have a considerable amount of resources to acquire land for real estate production – which will limit the options for construction, increasing the cost of the final product and possibly compromising demand. Therefore, financing production becomes an obstacle, since it is necessary for there to be autonomous capital that finances the production process, charging interest to the producer. This interest is paid by the surplus value generated internally in the construction process, increasing the price of the final product.



The valuation of space can emerge as a limitation in the sense of concentrating good infrastructure and creating a higher price, lowering the profitability of the entrepreneurs. In relation to the valuation of space and the price of land, Carlos claims that:

[...] the formation of land prices, as the manifestation of the value of properties, takes into account the cyclical processes of the national context (which include the way in which global economic processes manifest) to the specific political and social aspects of a determined place. All of these factors are linked to the process of urban development, which, upon being realized, redefines spatial division, and with this, the value of properties. This value will be determined in relation to the whole to which they belong, and it is in this interrelation between the whole and the part that the real or potential valuation process of each plot of land occurs.¹³

Another important element that acts as a limitation of the production of space and also a limitation of the realization of capital in the real estate sector is the scarcity of space, which associates the existence of private property and the capitalist valuation of space in a combination between built spaces and “empty” spaces (both owned by someone). Lefebvre writes that “[...] the high price of occupied spaces and the constantly increasing scarcity of spaces yet to be occupied constitutes a recent phenomenon with increasingly more serious consequences”.¹⁴

It is important to observe that the idea of location is present in the reasoning regarding the scarcity of space. Connected to the idea of location is the idea of ‘expensive’, an association to price, an expression of the value of urban land. On the scarcity of space, Carlos writes:

[...] in the current moment of the historical process, with the generalization of urbanization, spatial reproduction produces a new contradiction: that which refers to the difference between the old possibility of occupying areas, such as points of expanding urban areas (with the division of old ranches and farms, the case of many neighborhoods in the metropolis), and its current impossibility in the face of scarcity. In this process, space as value entered the circuit of general exchange in society (production / partition / distribution), becoming part of the production of wealth and constituting scarcity. [...] space



produced socially – and made into commodity in the historical process – is privately appropriated, creating limits to its own reproduction (due to the production of its own scarcity). At this time, space as a product of the reproduction of society contradicts the needs of the development of capital itself. This means that “scarcity” is the product of the very process of the production of space, as well as its limitation.¹⁵

Another difficulty faced by the real estate market, according to Lefebvre¹⁶, is the struggle against the slow obsolescence of real estate products and slow capital turnover in the real estate sector. Merely the constant construction of new projects is not enough. According to the author, the self-destruction of spaces produced is an integral part of this process.

From the point of view of contemporary capitalism, in times of flexible accumulation, decreasing the capital turnover time requires greater speed and dynamism in the productive system as well as the system of circulation of capital and commodities, taking over the management and coordination of capital. During the moment of productive restructuring and flexible accumulation, increasing the mobility of capital was required, with deep impacts on the various productive industrial sectors and labor relations. The investment of capital in land could prove that the capital would need to be immobilized in order to realize more value. In the capital cycle, there is a moment in which it leaves circulation and undergoes the production process more slowly¹⁷. The capital cycle, in industrial production, shows that the production time in the factory is the moment that reduces the speed of the cycle. Productive restructuring aims to provide increased mobility to the industrial process as a whole. Since we are experiencing a movement from the primacy of one industrial economy to the primacy of financial capital, this capital has to be realized somewhere. Today, it is in land that part of the financial capital has been invested, as a possibility of realizing more value, through the production of space and through players of the real estate market and the State.

However, the mobility desired and achieved with productive restructuring has to be created in the real estate market. As such, Real Estate Investment Trusts (REIT), property receivables and public listings in the stock market are

created and used to bring more mobility to the capital invested in the real estate sector. It is a real estate based investment. This way, the industry in general runs parallel to this, with the exception of the construction industry. Investments in the real estate sector are no longer crisis outbreaks in the industrial process, but capital investments. Here, we have a contradiction between mobility and immobility, now mediated by investments in urban land and real estate based investments.

We now turn to one of the central points, the contradictory pair 'mobility' and 'immobility'. The connection between the real estate foundation given by property (the real estate sector) and the mobility of the capital market reveals two segments of capital that are realized differently in time and space. The first segment is capital immobilized in urban land and the second possibly has the freedom to move (since it is related to the real estate market). It is precisely this approximation, creating this interface, that will offer a possible mobility to the segment of property capital. The space-time differentiation for realizing this capital emerges as a point of analysis, since we observe that the capital market allows for the time of capital turnover applied there to be shorter. On the other hand, the spatial dimension is present in the first segment since we are referring to capital immobilized in urban land, in a determined part in the city, in which the return time of the capital invested is not known for sure, and the connection of this process to the process of real estate valuation and the valuation of space in the metropolitan context. Both segments also reveal a movement between the immateriality of the process and its materialization. The purpose is for the valuation of capital, which is temporarily immobilized (in a potentially smaller circuit of rotation), to produce more capital. And we must also reflect on this connection in the sense that we are faced with different social subjects – in the economy and in politics – so much so that we encounter the State, with banks, investors, financial institutions, unions, businesses and businessmen from the real estate and construction industries.

These obstacles or limits are essentially important, mainly in the reasoning outlined by our study. It is a moment in which we definitively understand the negation of capital inherent in its realization, which is also present in the capitalist production of space, that is, space as a place for



reproducing relations of production. Under capitalism, the production of space also has, in the course of its development, moments of crises inherent to this process, since contradictions are integral to the process of spatial production immersed in the general reproduction of society. This process preserves a fundamental division/separation: the production of space and the social use of this space mediated by the land market/real estate market.

Based on this, the real estate market, which has developed under specific conditions expressing the contradictions of the means of capitalist production, emerges as a **critical real estate market**. We now return to the idea of the critical reproduction of capital and the crisis inherent in its realization, though on another level. While being reproduced critically, these critical moments are possibilities for expanding capital itself. In reality, it is a moment in which a decline can occur in the speed of real estate activities or a replacement that opens paths for its reproduction. What is necessary for the logic of capital is to remain in the process of production and investment in order to be realized as capital. What happens is the replacement of some contradictions and the emergence of others, and not the solution of the problems generated in capitalist reproduction.

We leave open some possibilities here. An expansion of construction in more peripheral regions can occur, where the price of land is lower; or there can even be an immobilization of a large amount of capital, leading to land banks, but this is an option that can suppress the capital process. The construction companies and real estate entrepreneurs that are publicly listed in the stock market are using this strategy, though it does not seem that they are forming land banks in the long term. Given that they are capitalized, they can build, “but for whom?” (this is where the issue of demand comes in, and if there is not enough, the path to devaluation opens up). Another possibility is to produce less in the more valued areas of the city, which are the places with more infrastructure.

Our aim is to understand this whole process by studying the strategies used by real estate companies that are publicly listed in the stock market upon carrying out their projects in São Paulo. This specific process opens up paths for discussion. The role of land, which already has a unique importance in the



formation of Brazilian society, has gained increasing importance in the production of the city. Urban land has taken on an accentuated centrality, since it is through this centrality and its spatial reproduction that sections of financial and industrial capital are realized in the contemporary metropolis. It is the businesses with urban land that will guarantee the realization of capital applied in buying stocks of real estate companies. Public listing in the stock market brings about the possibility of these companies increasing their capital and being ready for new investments in the real estate sector. This small capital becomes valued, while it constantly faces the critical situation of global capitalism, which has been, in terms of accumulation, in a crisis that started in the 1970s. It is a process of low-cost fundraising for the realization of developments, buying land and real estate launches, as well as acquiring other companies from the same field that are land owners and that have already launched projects on the market that are interesting for these large businesses. An example of this type of real estate purchase transaction is the Company firm, which acquired the companies DRV12 Bauinia and DRV10 in 2006. These companies were from a corporation, Redev, belonging to the C&A group, which opted to sell them. From the point of view of the purchasing company, the appeal is that the firms had already bought the land, some of them already in the marketing process. In other words, they bought something that was already under way or ready for a reasonable price on the market. This means that they anticipate the growth of the company instead of just buying the land and waiting for the approval of a construction project to then launch it on the market. Another strategy used is to acquire the majority stake (51%) in land divisions from other companies. Again, the Company firm made this transaction with Real Park Participations and Investments Ltd., from whom they acquired four plots of land. Today, Company has been acquired by the Brookfield development firm.

It is important to point out that the amount of capital absorbed by these companies is not used for building new projects. The construction continues to be financed by the Housing Finance System (SFH, acronym in Portuguese). Fundraising by selling stocks on the market increases the patrimony of the company and also allows for their growth and profit to increase considerably, which makes it possible to obtain more money with the SFH to build real estate



projects. Therefore, the large application of these resources is in buying land, property developments, launches and other forms of investment.

Foreign investments are responsible for the purchase of more than 50% of the stocks issued on the market by the companies in question. According to data from the Stock Market, the seven largest companies publicly listed had more than 60% of their stocks purchased by foreign investors, a number that reveals the internationalization of the real estate sector in São Paulo.

For the debate, we present the report by Belleza on this topic:

Surplus liquidity is being created in this market, which will make real estate production increase like crazy and cause some very interesting effects, such as, for example, one of the fundamental things is land, land has become gold dust. What use is it to have a lot of money and not have a place to build? Those who are well-positioned in terms of land, that is fundamental. It is much easier to get capital than to get land, I bet you. Money everybody has, land not everybody has.¹⁸

We observe that the markets of corporate and residential buildings have specific characteristics regarding their construction and realization in the city. Office buildings, as well as the hotel and apartment sector cannot be located outside of the expansion of the business center of São Paulo. These are activities that depend on centrality and projects that depend much more on the economic situation, economic cycles, such that they are reflected in the value of the land, rent, and the vacancy rate in the market. Therefore, with the need for spatial concentration of these projects, there is greater scarcity for their construction. Put a little differently, the real estate sector aimed at residential projects does not depend on this strict location, since they can be built in various places in the metropolis (but not just anywhere), highlighting that with highly capitalized companies, the availability of land increases. Therefore, companies began to produce in the cities of greater São Paulo and also in the countryside (in cities closer to the metropolitan area). As such, by aiming to diversify their investments, they end up diversifying their projects. In other words, in luxury neighborhoods they build high-end residential buildings that offer a higher overall sales value, while in more distant areas, they work with

buildings and gated communities in higher quantities, cheaper and smaller, but with a lower overall sales value.

This way, we claim that the strategies used by the commercial building market and by the residential market are different, in addition to the fact that the residential is much closer to the use value that properties can offer while the commercial is much more connected to the exchange value. However, both are immersed in the logic of capitalist accumulation. This financing mechanism for the real estate sector has become a way out for major real estate companies to attract resources for the development of their businesses. However, the intense use of this mechanism can lead to a certain saturation of the sector, which indicates a path towards a crisis.

2. Segregation beyond numbers

The process that we aim to discuss in the context of the urban production of space in the São Paulo metropolis is a moment of its urbanization today. We are aware of the way in which this process, with its dominant emphasis being on the economy with the intense presence of the State, dominates the city and the urban area presenting us with immense theoretical and practical challenges when we reflect on the dimension of society and everyday life. However, more than discuss the real estate process on the economic and political levels, it is necessary to discuss it on the social level and to debate the place of the real estate process in capitalist reproduction today and that of the urban production of space when they come up against the slum populations that “prevent” their reproduction. We are faced with disintegrated spaces that will be integrated to this process of spatial valuation, but whose residents are in a situation of constant mobility in the city and disintegration in this world.

The removal of part of the residents of a slum located in the Morumbi neighborhood, near the Pinheiros Highway, Jardim Panorama, is a case to be considered, since a part of it was removed for supposedly occupying a portion of land belonging to the JHSF developer (which was publicly listed in the stock market). On this occasion, the residents of this slum were forced to accept 40



thousand reals to leave their homes under threat of having their houses and shacks demolished if they did not accept the money offered. The real and successful attempts to remove slum residents from this region indicates that the lives of a portion of the inhabitants of the city are at stake as they have experienced the violently negative forms of the real estate financialization process. We find ourselves facing a challenge of analyzing a process that undermines the lives of these residents and that evicts them to the farther regions of the periphery, at the same time in which these actions make it possible for accumulation by means of the urban production of space. Today, part of the slum remains in the same place and lives with the uncertainties of a process of collective adverse possession and with the presence of these real estate businesses, lawyer groups and the State.

Therefore, in addition to establishing the financialization of real estate in capitalist reproduction, by associating it to the social production of space, we aim to reveal the strategies that permeate real estate businesses, as well as the strategies for reproducing life by the residents of the metropolis. As previously cited, the Jardim Panorama and its relation to the construction of the property development Cidade Jardim Park¹⁹ opens up the possibility of associating the economic, political and social levels with the production of urban space. It is a moment that reveals, in practical terms, the conflict between using and exchanging strategies of staying in place, on the part of the urban residents, as well as the strategies used by a developer in the scenario of establishing a critical real estate market.

From the point of view of our analysis, the global-local relation gains strength when we make a connection between what is near and what is far. The global-local level, through the mediation of the metropolis, signals another important contradiction: the integration/disintegration of places in the metropolis in relation to the general processes of reproduction. In the metropolis, there are places whose logic, uses and functions are directly linked to the needs of a spatial division of the labor associated to and defined on the global level in contradiction to the places in which this logic is disintegrating. On the one hand, the metropolis concentrates a large proportion of the national wealth that produces the “city of businesses”, in which spaces made to be productive refer



to the production of value. In this dimension, the connections of the metropolis to the globalization process take place through the dialectical movement between integrating São Paulo to international capitalism – financial centralization, with the growth of the banking sector and modern services – and the disintegration of the traditional way of life, the organization of labor, neighborhood relations, the deterioration of public spaces, the city center and the life conditions of the metropolis.

Thus, what remains beneath the surface is the conflict between use and exchange, between a collective production of space and its private appropriation. Faced with the conditions of capitalist reproduction in which we find ourselves, private appropriation and productive consumption emerge as the foundation of the capitalist valuation of space, pointing out urban segregation not only as a product of this process, but also as a condition and foundation, reinforcing a socio-spatial division in the metropolis whose content is **separation**. The construction and consolidation of the new centrality of businesses in São Paulo, at the same time an impetus and reflection of dynamism, is a factor of differentiation and segregation. The process in itself, that is, on the level of the productive process and in the changes that it engenders is segregating; however, it is even more intense/tense when we return to our reflections on the reproduction of socio-spatial practices. It is necessary to replace the analyses that only measure segregation with indicators, since it is more a question of culture and urban practices.

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Notes

¹ Process analyzed by Henri Lefebvre in Chapter I of the book “Right to the city”.

² David Harvey, *The Limits to Capital*, Oxford, Basil Blackwell, 1984.

³ Jorge Grespan, *O negativo do capital: o conceito de crise na crítica de Marx à economia política*, São Paulo, Hucitec, 1998, p.27.

⁴ Idem, p.28.

⁵ Harvey, 2005.

⁶ David Harvey, *The Limits to Capital*, Oxford, Basil Blackwell, 1984; *O novo imperialismo*, São Paulo, Loyola, 2004.



⁷ David Harvey, *A produção capitalista do espaço*, São Paulo, Anablume, 2005, p.156.

⁸ Henri Lefebvre, *A revolução urbana*, Belo Horizonte, Editora UFMG, 1999, pp.146-7.

⁹ Robert Kurz, “A segunda bolha financeira: a bolha financeira imobiliária como adiamento da crise”, in *Neues Deutschland*, Berlim, jun. 2003. Available at: <<http://obeco.planetaclix.pt/rkurz137.htm>>. Accessed on: Aug. 2014.

¹⁰ Ana Fani Alessandri Carlos, “São Paulo: do capital industrial ao capital financeiro”, em Ana Fani Alessandri Carlos e Ariovaldo Umbelino de Oliveira (orgs.), *Geografias de São Paulo: a metrópole do século XXI*, São Paulo, Contexto, 2004, p.52.

¹¹ Adriano Botelho, *O financiamento e a financeirização do setor imobiliário: uma análise da produção do espaço e da segregação sócio-espacial através do estudo do mercado da moradia na cidade de São Paulo*. São Paulo, 2005, p.44. Tese (Doutorado em Geografia Humana) – Faculdade de Filosofia, Letras e Ciências Humanas, Universidade de São Paulo.

¹² Idem.

¹³ Ana Fani Alessandri Carlos, *A (re)produção do espaço do espaço urbano*, São Paulo, Edusp, 1994, p.171.

¹⁴ Henry Lefebvre, *Espacio y Política: el derecho a la ciudad II*, Barcelona, Ediciones Península, 1976, p.39.

¹⁵ Ana Fani Alessandri Carlos, *Espaço-Tempo na Metrópole*, São Paulo, Contexto, 2001, p.22.

¹⁶ Henry Lefebvre, *Espacio y Política: el derecho a la ciudad II*, Barcelona, Ediciones Península, 1976, p.102.

¹⁷ Evidently, for analytical purposes, we are thinking about the realization of capital, but we must take into account that the capital cycle is a simultaneous process.

¹⁸ Passage extracted from an interview carried out by the author with Sérgio Belleza Filho, from the Coinvalores real estate agency.

¹⁹ The Cidade Jardim Park consists of nine residential buildings, with apartments from 237 to 1,807m² of private space that can cost up to more than 20 million Brazilian reals, a shopping center with three towers of corporate offices and a high-end shopping mall, Cidade Jardim.



Housing as a business and the valuation of metropolitan urban space

Danilo Volochko

This chapter presents some reflections on the current components of the space valuation process based on an analysis of real estate housing production which has been reproducing important economic sectors in the country, as well as articulating political strategies linked to space production and producing a new unequal daily life for millions of inhabitants.

The debate on space valuation has been presented as an important path in the critical process of geography which went on until 1970. Incorporating the categories of work and value, geography was founded on a Marxist analysis as a possibility of considering a critical superseding of the positivist and quantitative assumptions of the new geography, while it aimed to advance in relation to the descriptive nature of traditional geography, which has partially been taking place in so-called active geography. In its overriding proposal, critical geography aimed to develop its analysis based on the methodological assumptions implied in social practice, committed not only to a theoretical-analytical elaboration of reality but fundamentally aiming to concretely transform social reality. Therefore, social subjects in their concrete social and historical practice would be analyzed in their connection to space, increasingly separate from the idea of a (pragmatic-utilitarian) organization of space and moving towards the understanding of space production.

What we aim to point out is the importance of reviving a profound debate about space valuation, since we begin with the hypothesis that understanding space valuation is central to revealing urban space production today. This is in view of the fact that the valuation of urban space has been gaining new components through the new dynamics of the real estate sector in connection to global financialization and to new state actions. Above all, we aim to reflect on whether the debate on space valuation is about a dated and displaced moment in geography, with the purpose of locating the boundaries and possibilities of this concept in the face of the contemporary urban processes.



A movement to take place is that of considering the process based on land valuation - of urban soil - , which is presented as a necessary moment for real estate valuation - of built space, real estate properties, buildings - to produce space valuation as a condition, means and product¹ of new and future valuations that reproduce capital through the continuous production of new spaces. The new financial and institutional interventions present the possibility of a market of guarantees that have a flexible asset in real estate ownership (property) and which impose the accomplishment of housing as a pure economic business (read: productive and financial real estate). This movement produced by land/real estate/spatial/state valuation indicates a possible path that goes from land income to space production as a specific form of value production, which provides a foundation for understanding the current components of the capitalization/valuation process of peripheral spaces, which we aim to develop.

To this end, we will begin with some claims that aim to establish the debate about land income and its relation to urban space production. With this, we will establish a perspective of analysis on the issue to then analyze the recent transformations in the real estate sector, linked to the financialization of this sector and which lead to the production of new spatialities and new processes of space valuation, which establish new forms and components in peripheral metropolitan spaces. Above all, we address the importance of concretely considering space valuation today.

1. The valuation of urban space and the debate on urban land income

The analysis of the space valuation process is not a simple task. Many authors have dedicated and have been dedicating their work more or less directly to the debate on the role of land and space in the reproduction of capitalism, among which we can cite Marx², Lefebvre³, Castells⁴, Topalov⁵, Lipietz⁶, Gottdiener⁷, Lojkine⁸, Harvey⁹, Oliveira¹⁰, Martins¹¹, Moraes and Costa¹², and Carlos¹³. Evidently, it is not about exposing and analyzing the way in which these authors understand the role of land and income. We move on to

some considerations that in our view advance the discussion about the nature of urban land and its role in accumulation. Our interest lies in the reflection on the role of land and, more than this, space itself in social reproduction, which allows us to read into the emerging conflicts in cities today.

In general, the reflection on space valuation through the perspective of Marxist theory on value considers that work - living and dead - materialized in constructions is incorporated into land, being that "territorial formation is also an unequal accumulation of work in space", and that "the created value, by being incorporated into land, is transformed into the value of space, shaping subsequent valuations".¹⁴ Gottdiener summarizes the issue of a Marxist understanding of land income in the following way:

The Marxist theory of income is derived from the Ricardian notion of land as a material factor of production. According to this notion, land has an intrinsic agricultural fertility, which [...] can vary. Income is the price paid for using this asset. According to Marx, contrary to Ricardo, the capacity of land to command this income emerges from the classist nature of society. In particular, land owners can claim a portion of the surplus value produced by work, due to the institution of private ownership [...] Consequently, for him, land was different [...] due to the nature of land ownership itself in relation to the social organization of capitalist production. In addition to the conception of Ricardo, which Marx denominated differential income, two other types of income were established: absolute income and monopoly income.¹⁵

We may consider, based on this view, that a central aspect for the definition of the nature of land for capitalist accumulation would be the understanding that land is not produced by human work, as a donation. Therefore, it is not about something that has value, but that generates incomes resulting from the monopoly/dominance over a determined portion of space by their owners and their speculation over the land. This understanding of land as a generator of income points to a perspective that sees it as a means of production, raw materials, and that, due to their finite and rare nature, the price of land would be defined based on disputes over the possibilities of use and advantages of the location for production. Furthermore, there is an income



feature of land resulting from the simple institution of private ownership of land, which is necessary to consider and which characterizes an important patrimonial meaning derived from the monopoly of land. However, according to some authors, such as Carlos,¹⁶ to consider urban space we have to consider the differences that the city places on the dynamics of land, since in the urban, land cannot be seen as a simple means of production, but as a commodity produced and reproduced socially through history, in a process based on the production of value and profit. Gottdiener writes that:

At this stage of the discussion, I must change the analysis of land as a means of production to the analysis of space as a force of production, and change from the determination of the value of land and its return - income - to the social determination of the value of the location in space and its return - profit. If we must deal with the issue of the values of land and location, we must first reintroduce the theory of Lefebvre and move from an analysis of land per se to that of real estate properties, since they comprise the capitalist space in the extent to which it is opposed to the pre-capitalist.¹⁷

Lefebvre deals precisely with the need to consider a new dimension of space as a productive force, which goes beyond the debate of land (and land income) as an indirect means of value production to space production as a specific commodity, which is realized as a central moment of the production of value and surplus value:

The development of the world of commodities reaches the continent of objects. This world is no longer limited to components, to objects in space. Ultimately, space itself is bought and sold. It is no longer about land, soil, but of the social space as such, produced as such, that is, with this objective, with this purpose (as they say). Space is no longer simply the indifferent means, the sum of places where the surplus value is formed, realized and distributed. It has become a product of social work, that is, a very general object of production and, consequently, of the formation of surplus value.¹⁸

Therefore, urban land would have value as a result of its incorporation to the dynamics of the city, and this value is different since it represents the unequal accumulation of social work in space - infrastructures, spaces for consumption and leisure, urban facilities such as hospitals, schools, etc. The space commodity is therefore historically and socially produced and its exchange value is determined by the constant possibility of transforming its use value, of building/destroying/rebuilding properties and infrastructures. With this, speculation through the retention of land ownership and raising its price - the capitalization of space - is something ever present which composes the space valuation process, just like the devaluation of space creates new possibilities of future changes of use values and, with this, future valuations. We can consider that the financialization of space production - on the side of producing (credit for the real estate sector) and on the side of consuming (credit for buyers) properties - accentuates valuation processes of land and properties, being an important moment of the general valuation of space.

The dynamic of land and income have a history that constitutes a social class in Europe, that of owners (feudal lords), which are strongly opposed to the capitalist bourgeois class. This is the importance of explaining income as a tribute required by ownership (monopoly of use) on the part of a specific social class, revealing disputes by authorities and the growing domination of capitalists. The patrimonial nature of Brazilian society requires considering, as some authors do¹⁹, the merging of land ownership with capital in the very constitution of Brazilian society, making the capitalist society equally the owner class - in addition to the basis of the historical constitution of the political elite and the national State itself -, which enables a partial understanding of the major land concentration in the Brazilian countryside (absence of agrarian reform) and the enormous housing deficit in our cities (absence of urban reform).

Though generally concentrated in our society, the ownership of urban land also fragments space in distinct forms of social appropriation, to the point in which the coordination of the State and the real estate-financial market appear as a single means capable of promoting the more intense and significant transformations in space. However, this is about a hegemonic and



homogenizing production of space, that is in relation to the heterogeneous, fragmented, decentralized and undervalued production of space by society as a whole - the numerous social appropriations possible: occupations, self-building, etc.

We consider that the theory of land income tends to deal with space production as "improvements" in space, when it deals with something different. The concept of space production seems to constantly drive away the idea of land (urban, especially) as something finite, non-reproducible, absolute and even the private ownership of land in this perspective is dialectized by being understood as a negotiable title of a built and rebuilt space, a space-commodity that is valued according to the socio-spatial process, being (the private ownership of land) the pillar of inequalities.

The issue of urban land income certainly is an open and inconclusive debate. But it is possible to consider that land income in the city is transformed into urban land value due to its continuous social production/reproduction, the particular spatial processes that the city engenders: centrality, rarity, the concentration of different divisions of labor and the possibilities of continuously creating new divisions of labor as well as new work, the diversity of use values and possibilities of producing new use values, the multiplication of land upwards with verticalization, among others. Therefore, we consider urbanization to also be a process of transforming land income into land value, property value and urban space value, given by social work and by the constitution of an urban real estate market - a market of built spaces and spaces with building perspectives or some present or future transformation - which certainly speculates with this space valuation to elevate land prices, or prices of built properties or those under construction. If the theory of land income helps to understand the weight of private ownership of land - including maintaining the validity of the patrimonial-income interpretation of land transmuted in speculative and capitalization processes - the analysis of the production of the city and the valuation of urban space requires an advancement and questioning of this theory.

There is also a perspective of analyzing real estate production as introduced by Lefebvre and which subsequently was worked on by many

authors - among them David Harvey -, connected to the theory of crises and of capital mobility through circuits. Lefebvre writes:

"Real estate" [...] plays the role of a second sector, a parallel circuit to industrial production. This second sector absorbs the shocks. In case of depression, capital flows to it. They begin with fabulous profits, but are soon buried. [...] Capital is mobilized in the real estate. The general economy [...] thus suffers with this. However, the role and function of this sector does not stop growing. To the extent in which the main sector, the current industrial production of "real estate" assets, dampens their impulse, the capital will be invested in the second sector, the real estate sector. It can even happen that land speculation is transformed into a main source, the almost exclusive place of "capital formation", that is, the realization of surplus value. While the part of the global surplus value formed and realized in the industry decreases, the part of surplus value formed and realized in speculation and by real estate construction increases.²⁰

Given that for many authors, investment in the real estate sector may or may not represent a leave from capital formation, or a momentary leave - since there is a major mobilization of capital -, the financialization of space production represented by investments in the real estate and construction sectors, as well as by the concession of credit to buyers, would allow for the realization of these flows between the sectors of economy. This would also create a market of real estate guarantees with the transformation of the mechanisms for executing the debts of those who default, which facilitate the transfer of real estate properties from resident debtors to the finance creditors.²¹ We see with more depth how the so-called real estate financialization is realized concretely, and which specialties it has (re)produced.

2. Recent transformations in the real estate sector: financialization and peripheralization/metropolitanization



As analyzed in previous studies²², the data from the real estate market can identify two moments in which the number of launched properties (especially residential ones) peaked: the 1996-1997 biennial and the 2007-2013 period. It is necessary to reflect on which motives can explain these two "jumps" in the residential real estate production in our country. In the mid-1990s and ten years later, in the mid-2000s, there were important approximations between the real estate sector and financial capital, which move towards increasingly including real estate businesses in the scope of financial businesses. For example, according to Botelho²³, new financial instruments have emerged that enabled the transformation of real estate properties into real estate titles: Real Estate Investment Trusts (FII, acronym in Portuguese) and Real Estate Receivables Certificates (CRI, acronym in Portuguese).

We also cannot forget that, according to Bonduki²⁴, in 1995, there was a revival of housing mortgages from the resources of the Unemployment Guarantee Fund (FGTS, acronym in Portuguese) after a significant period of interruption. At this time, the performance of various housing cooperatives stood out. Starting in 2006, there has been a strong movement of opening capital in the Bovespa stock exchange by the larger corporations, with a significant presence of foreign investors. Therefore, we can say, in general, that the two "peaks" of real estate activity coincide somehow with a strengthening of the relation between the real estate sector and the financial sector - banking and stocks - in São Paulo.

But what did it do to the cutting edge Brazilian real estate market - formed by large corporations -, which were always so concentrated and centralized on valued and well-equipped areas of the cities, if it were aimed at self-built, peripheral and less valued spaces? How did it make these corporations aim their businesses at the lower income strata of society? In fact, it is necessary to advance in the understanding of the valuation of spaces that come to house new enterprises, which is not possible without evaluating transformations through which the real estate sector has undergone in the past decade. This process also reestablishes important fusions and acquisitions partially or totally realized by real estate companies, in the process of a heated competition. There are plenty of examples of fusions, acquisitions, forming and



dissolving partnerships that evidence the dynamics of this sector, enhanced by the recent financial and political investments by the government.

It is worth noting that there has been a significant change in the technology of building²⁵ housing for the so-called "low income" segment, which has occurred in order to accelerate the construction cycle and thus quicken the investment return, enabling an increase in production. Among the new building techniques that we observe are the use of aluminum components, assembled in the construction to fill the walls of properties with concrete, guaranteeing that each unit - house or apartment - is assembled in a few days.

A process of construction standards has been developed and has been increasingly incorporated into the conception of the projects of a large part of major corporations. It is also worth noting that there is major outsourcing (subcontracting) of constructions on building sites - effective construction carried out by smaller construction companies or construction of parts of projects by specialized companies. This works in a way to accelerate the speed of construction as well as the speed of entering the local market - with the conveniences and expertise (market experience) of local businesses - and to expand the presence of large businesses in various cities in the country. According to interviews carried out²⁶, the contact and partnership with local builders enable large corporations to adapt the architectural projects of their new "products" according to the characteristics of the market and the legislations of each city, in relation, for example, to the number of garage spaces, ceiling height, etc.

But this outsourcing regime, if it made the national expansion of many corporations easier at first, also found some limitations regarding the standardization that should be (and has been) established, since the general control of construction is weakened by the dependence on the fulfillment of deadlines by third parties²⁷. Even so, this regime has been adopted by a large part of the cutting edge real estate sector. Above all, the standardization of the project and the execution of the construction is necessary in the real estate production sector of housing for popular classes due to the need for a scaling of the construction that does not compromise the smaller profit margins of the "popular products" - compared to the greater profit margins of the so-called



"high standard" real estate enterprises. The larger volume of "popular products" requires greater speed and greater standardization of work procedures, approximating the building site of an industrial production regime, with workers playing specialized roles and using standardized materials²⁸.

Among the specific characteristics of the constructions in the "popular housing market", which help in the standardization that is aimed for, include the simplification of the floor plans and the general structure of the construction, the installations, and the finishing processes²⁹. These elements, in the end, also result in a reduction of the quality of materials and methods used and, consequently, a global worsening in housing. In this context, it becomes important that large corporations acquire businesses that operated in the construction of housing for social segments with lower ranges of income as a buying strategy of the distribution model of this new product: a popular housing market, evidencing a strategy of "burning" stages in order to gain space in the market by incorporating the expertise of businesses that had been developing structures for some time - regarding financing, marketing, sales - for the "popular market".

This process represents a business diversification strategy of larger corporations, and that they in no way abandoned their activities aimed at attending to the higher income ranges of society. In other words, large corporations continue producing for the residential market in more valued areas, whose valuation carries other interventions and produces other components. We observe in this spatial diversification strategy the large number of launches/constructions of horizontal residential enterprises composed of duplexes and/or buildings with less than six floors in blocks that frequently include an amount that varies from 100 to 500 housing units, often passing this number. It is worth noting that the constant crises - such as the international financial crisis of 2008 - entail reorganizations in the real estate sector, which compel businesses to revise their launching goals. The political connection of many businesses - particularly *MRV*, *PDG*, *Gafisa*, *Cyrela*, *Rodobens*, *Rossi* - was central in relation to the elaboration of a major housing program together with the federal government - *Minha Casa Minha Vida* (MCMV, "My House My

Life") - to invigorate the investments of those and of many other businesses from the macrosector of construction.

The strong expansion of the real estate sector observed between 2005 and 2012 can be explained, roughly, by the following processes: a) opening capital in the stock market of the major Brazilian corporations, when they begin to capitalize (receive investments) and gain debt (financial leverage) to expand their launches and increase their profits; b) relative economic stability (inflation and more reduced interest rates) with reduced unemployment (in which subcontracted, outsourced, temporary, unstable employees are counted); c) execution of the MCMV housing program; d) flexibilization and broadening of the concession of real estate credit to buyers; e) alterations in the legislation of real estate financing, with the consolidation of secured mortgages of real estate properties.

The strategy of channeling real estate investments to attend to the housing needs of millions of Brazilian families that historically remain excluded from formal housing financing for acquiring home ownership is related to the fact that this market, in addition to being very broad, presents the characteristic that, for the popular segment, housing should not be considered a consumer good but a need, and that in fact it is about exchanging the "debt" of rent for the "debt" of paying the installments of the mortgage of home ownership - with values similar to those of rent³⁰. Therefore, is it the need for housing in a country like Brazil that can explain the investments in the production of more or less "popular" housing as a way out of crises? This has been an important hypothesis. Moreover, this popular housing market has acquired, from 2009 on with the MCMV, a production/financing mechanism subsidized by the federal government, which attests to the strong dependence of this sector in relation to public authorities (to the State), especially regarding attending to the housing needs of the lower sectors of the middle and poorer classes.

The differences between "real estate products" in terms of profitability, the characteristics of the projects and the choice of land revolve around the need to increase the amount of housing units launched, the more "popular" the property³¹. Therefore, there are some urban characteristics necessary for the economic viability of the enterprises of the so-called popular segment. Since the



profitability of each unit of these enterprises is lesser in relation to the construction of high standard houses and apartments, an alteration is imposed on the spatial dimensions of these enterprises. Therefore, properties in general should be larger in order to hold a greater number of properties (where the footage of the units has been reduced). This allows us to understand the need for greater productivity in the real estate segment and also to establish the importance of the new building technologies seen also in terms of the need to increase the speed of construction.

In relation to the financialization process of the real estate sector and to the stocks of financial investors, it is possible to observe the constant changes in the form in which these investors evaluate each corporation. In general, investors observe only the numeric variations relative to the oscillations of stock prices of companies, evaluating mainly property stocks - the *landbank* - and the TSV - total sales value - the potential of each corporation³². In the real estate market, there is the view that financial investors in fact do not look at the real estate market so profoundly, which means that the financial results of corporations - profitability, number of launches, indebtedness, etc. - end up parametrizing the decisions of financial investors.

The largest real estate enterprises are capable of producing profound socio-spatial transformations, implying the need for negotiation with public organizations, neighborhood associations and retailers in order to promote attractiveness for buyers and reduce impacts - increase the flow of vehicles, the demand for public transportation, health services, schools, sanitation, trash collection etc. - caused by the enterprise. In this sense, enterprises with thousands of housing units that occupy properties of tens of thousands (or millions) of square meters, such as those developed by the *Odebrecht Real Estate Projects*³³, carry out a complex process not only of building real estate, but of allocating some urban infrastructures. This, on the one hand, allows for the process of developing/incorporating/building in their entirety – thus earning greater profits. On the other hand, this institutes additional difficulties such as approvals by enterprises, negotiations with city halls and with the residents, etc.

According to the research carried out, we observe that the new residents of housing projects produced in this process result in large part from peripheral

spaces, though less distant peripheries. This leads us to believe that there is a subjection of these groups to a larger separation explained by the attempt to become formal owners of their homes, which can only occur in distant and less valued spaces. The new real estate investments produced in the more or less consolidated spaces of the peripheral fabric reinforce inequalities on the level of space, since the best infrastructure conditions of new enterprises are highlighted in relation to the neighborhoods where they are located, leading to important consequences from the point of view of the dynamics of space valuation and from the increasing socio-spatial segregation on the periphery.

Therefore, it is interesting to recognize the strategies of the new spatiality required by enterprises developed for the "popular classes", which involve a standardized large-scale real estate production (increased number of housing units and area of enterprises), with reduced costs (from the land to the final product). This implies a relative expansion of real estate activity towards peripheral metropolitan spaces and a greater and more complex institutional articulation of the private sector with public authorities, including with a growing demand for public investments in infrastructure and urban facilities in these areas.

From 2011, we observe that the peripheralization/metropolitanization of the real estate activity meant, contradictorily, a private space valuation process on the peripheries, which, from the point of view of the dynamic of corporations, have represented a rise in building costs. This is also connected to the increase in the price of materials and equipment used as well as the manual labor itself, which, in addition to the increased level of debt of these companies³⁴, resulted in a series of delays in construction, cancellations of sales and increase in the property stocks. This led to a decrease in the intense rhythm of general property launches between 2011 and 2013, as well as a slight cooling down of the peripheralization/metropolitanization process - observed by the real estate launches in São Paulo and in the Metropolitan Region of São Paulo (RMSP, acronym in Portuguese) -, a cooling down which was however incapable of leading to a reversal of this metropolitanization. The data that enable a visualization of this process are summarized in the following table:

Table 1 - Number of Launches of Residential Properties (Vertical and Horizontal) in São Paulo and RMSP - 2006, 2007, 2010, 2011, 2012 and 2013.

	2006	2007	2010	2011	2012	2013
São Paulo (city)	25,689	38,990	38,199	38,149	28,517	33,198
RMSP (excluding SP)	9,038	23,075	32,632	29,210	25,480	24,945
SP Launches (% of the total)	73.98	62.82	53.96	56.64	52.81	57.10
RMSP Launches (% of the total)	26.02	37.18	46.03	43.36	47.19	42.90
Total Overall Launches	34,727	62,065	70,781	67,359	53,997	58,143

Source: <<http://www.secovi.com.br/pesquisas-e-indices/indicadores-do-mercado/>>

Accessed on: 7/29/2014

Elaboration: Danilo Volochko

3. Considering the reproduction of urban peripheries in Cotia, in RMSP

How can we understand the new temporalities and spatialities of the current metropolitan reproduction process of São Paulo? How are the peripheral spaces of metropolitan cities integrated into the new strategies of the real estate sector in connection with global finances? What interventions does the city of Cotia, located in RMSP, provide us with for analyzing the processes in progress in the metropolis? The following satellite image will help us to consider some of the processes of urban reproduction that we are addressing:

[Satellite image of RMSP]

The research by Carlos, carried out in Cotia in the 1980s,³⁵ points towards the centrality of the reproduction of the São Paulo industry in Cotia space production:

[...] the space production process is connected to a broader spatial production, directly or indirectly linked by the industrialization process.

[...].

the industrial expansion takes place from the capital towards other cities, in pursuit of larger plots of land, for a lower price, cheap labor, incentives and a network of efficient communication [...]. The absence of land for broadening established industries, the land valuation process in denser urban areas [...] has led to a reorganization of the industrial location [...].³⁶

According to a study by Carlos, in this expansion process of the metropolis: "[...] the industries are established according to the infrastructure, fundamentally based on the duplication of the Raposo Tavares highway, due to the proximity of the metropolitan capital and cheap and abundant labor".³⁷ Before this study and taking as a foundation another context, Langenbuch analyzes the transformations that come to exist in the then "rural and agricultural suburbs" (among them Cotia) with the metropolitan growth of São Paulo which would define "focal points of embryonic urbanization" along the highway focal points.

[...] that of the Raposo Tavares highway, from the city of Osasco to the Raposo Tavares village [...], cutting through the district of Cotia. This [...] is the most evolved "focal point of embryonic urbanization". Originating from São Paulo, a little after entering the district (and city) of Cotia, we see the suburb Granja Viana [...]. Beside it, there is a small worker cluster and developments aimed at the same purpose. Next, we have a piece of highway, in which some small and medium factories alternate in the middle of "rural suburbs", characterizing the region as an eventual embryo of the "highway industrial area".³⁸

In the 1970s and 1980s, "mechanical, metal, electrical and communication and transport material" industries were established³⁹ in the city of Cotia "without any overall planning, accelerating demographic growth and, consequently, developing the land, which, the way in which it was carried out, contributed to the increased worsening of life conditions of the working class".⁴⁰ The author comprehensively analyzes the actions of the developers who monitored this process and produced spaces such as Granja Viana and also many other popular developments:



[...] the daily urban space production that has developed with Raposo Tavares as a reference resulted from developing land to advance upon productive rural areas [...] but in their majority occupying non-productive areas. With the land valuation process - resulting from redefining land use and the process of occupying the metropolitan area - the land that before was sold by the hectare, began to be sold per square meter.⁴¹

It was in this process that the developments emerged, which originated many neighborhoods in Cotia, in the focal points of occupation defined by the main roads and highways. The poor conditions in which these areas were found until today allows us to imagine the precariousness in the moment in which the developments were made. For Carlos:

[...] the ideology of home ownership for the working class, which prefers to live around tens of kilometers from the workplace - which costs them precious hours of rest - the temporariness of the situation of renting a home, allied with the fact that [...] the worker does not have stability at work. It is not rare to pay for one commodity and receive another. The popular developments are almost always sold without any infrastructure, such as, for example, water, electricity, sewage, paved streets, curbs or gutters [...]. This is without considering the existence of schools, emergency rooms, pharmacies, transportation, leisure, etc. [...].⁴²

Many developments where current real estate enterprises have been built were properties described as rural - areas of land, ranches, and fields. The neighborhoods bordering these enterprises were constituted, for the most part, as self-built spaces by workers, whether on regular or irregular plots, which expressed an underlying projection of occupation linked to a large demographic growth of the popular classes. The Granja Viana, on the other hand, was being built as a housing region for much wealthier classes of São Paulo who aimed to "move away" from urban problems.

But if Cotia was being configured as a space characterized in large part by the industrial reproduction of the São Paulo metropolis in the 1970s and 1980s - which produced many forms of land occupation, such as developments - does this happen today in the same way? How can we consider the current

connections between the productive sector and the service sector, from the dependence on the service sector in relation to industrial activities in their contemporary developments or to informal work, work that is outsourced, subcontracted, or temporary? What is the role of the transformations brought by globalization to the level of spatial reproduction of the real estate sector? What are the repercussions of the financialization of the economy on real estate restructuring? How is the state (re)placed in this process? It is necessary to move forward on these issues, and the study of space allows us to collect concrete elements that subsidize our theoretical-analytical formulations.

The work by Carlos has already signaled a trend towards a relative loss of the importance of industrial activities in relation to the tertiary sector in the São Paulo economy. In 1980, according to Carlos⁴³, 43.1% of the worker population of Cotia were employed in industrial activities; in 2012, this percentage fell to 29.02%⁴⁴, still a relevant number. If it seems correct that new real estate enterprises are not intimately located in a socio-spatial dynamic linked to industrialization as before (the 1980s), it is also certain that some of the residents of these new spaces work in industries.

What is placed on the horizon of the production of new housing projects - enclaves formally built in the middle of self-built areas, for the most part - is a reproduction, permitted by the urban dynamic, precisely for capital valuation on the real estate and financial level, intertwining certain social levels and moving them to new housing spaces on the peripheries. If the process in question is linked on the one hand to the recent real estate expansion directly linked to the strengthening of the relation with financial capital and with state policies, it is possible to claim that the production of new projects do not aim to attend to the workers that move around following a specific economic activity, but an urban population composed of workers without access to real estate financing and to formal private land ownership. This urban reproduction process shifts strata of the population between more or less distant peripheries.

The ideology of unlimited economic growth is redirected to metropolitan urban space production. The relation of the current housing production with the industry does not disappear under any circumstances, but changes meaning. Therefore, if before the industry was present as a strong element for attracting



workers who in turn settled on land without urban facilities and self-built their houses on peripheral "popular" developments or lived on rent, the current process replaces the industrial importance in its necessary connection with the construction sector aimed at a true housing production, a real estate production that follows increasingly industrialized scales and methods, and which is based on the rhetoric of a (misrepresented) housing deficit as bargaining power for their strategies.

One of the characteristics of globalization - among neoliberal reforms and the flexibilization of the urban planning system - is the move from a Fordist production regime to a flexible regime. In the case of space production, it would remain to be seen whether one can consider that it is a trend, set by financialization itself, of leveraging industrialized housing production in metropolitan areas and on urban peripheries as a space-time that articulates the global capitalist production as well as the more local capital, on the level of the metropolis. In this hypothesis, it would be necessary to observe the limits of this process presented by the constant financial crises.

As a hypothesis, the city of Cotia, due to its "rural suburban" nature until the 1980s, preserved many plots of agricultural land, of larger sizes, which were absorbed by developments - for the rich (Granja Viana) and also by (very clandestine) developments for the "popular classes". This lends itself today to a replacement of developments and housing communities in contemporary housing reproduction. At first, metropolitan expansion was accomplished in the scope of the process of developing/partitioning the rural fields analyzed by Carlos and Langenbuch⁴⁵, in a reproduction process of the São Paulo metropolis. Today, it is much more about a new reproduction of peripheral metropolitan space, placed in new real estate, financial (linked to international profitability) and political dynamic, in a new social and urban (spatial) dynamic which adds new components to peripheral spaces, challenging us to understand new terms of the space valuation process. We see, for example, the existence of privileged areas for establishing new real estate launches: deindustrialized spaces, peripheral areas with large plots of land near the fast roads and cities of RMSP.



Therefore, if at first the urban peripheries and the metropolitan spaces constitute the formation of value by changing their use from rural land to urban land, in which there is already a land valuation process by virtually or physically incorporating urban attributes to the land that will be developed - electric network, water, sewage, streets, among others. In the past few years, the large companies from the real estate sector, together with external and national finances and state actions, have been driving housing production in large part to (more) peripheral areas. It is about a moment of spatial reproduction in metropolises and cities that have been defined by the economic needs of accumulation through reproduction that takes place through the capitalization/valuation of the value of land formed in the cities, whether in already highly valued areas or, mainly, in the past few years, in less valued areas.

4. Financial crises and privatization of urban policy

Based on the considerations by Harvey⁴⁶ regarding the crises of capitalism, we can understand the overall crisis as an internal and contradictory mechanism of the capital process, which always moves towards crises of overproduction, overspeculation and overaccumulation in their reproductive process. Similarly, Grespan deals with the concept of crisis "as immanent negativity of capital, as a manifestation of a contradiction constitutive of capital"⁴⁷. Therefore, the financial crisis originating in the American real estate system in 2008 spread out to the world markets in an attempt to save investments coupled with the institutions that were at the epicenter of the crisis and which kept investments around the world.

The dominance of the financial sphere in capital valuation in the past few decades exposes the possibilities and limits found by the circulation of capital-money between the different space-times represented by countries and regions, which frequently operate productive transformations and restructurings. The regime of financial valuation based on the credit-interest pair tends to expand the frontiers of accumulation, including establishing very complex and



integrated networks that ensure the circulation of capital. And it is in the formation of these institutional and legal structures that a central subject comes into play for the process of capitalist regulation and coordination: the State. Now, the role of the State in the process of capitalist circulation seems to become more evident in moments of crisis. For Harvey⁴⁸, it is the State that will develop and coordinate new arrangements between capitals and which will try to administrate the internal contradictions of capital, also producing contradictions on the level of its relation with the financial and industrial capitalists themselves.

From mid-2008 forward, the effects of the crisis began to be felt more significantly in Brazil as well. It is in this moment that we observe revisions of goals regarding real estate launches, which was reflected in a departure of financial investors from this sector, occasioning devaluations of corporate stocks listed in the Bovespa. In this turbulent crisis, many corporations reevaluated their partnerships and market strategies, opting for less risk. But the major motivation that led corporations to continue with the peripheralization/metropolitanization of real estate housing production was the way in which the State proposed to deal with the crisis in Brazil: privatizing urban policy on 3/25/2009 by launching the MCMV Program, which relied on the intense participation of large corporations in all phases.

Through the MCMV Program, the State enables real estate and financial reproduction facilitating the valuation and production of spatial fragments of peripheral metropolitan areas and ensuring the continuity of private strategies. The status of poverty and, in part, the housing deficit is then tied by the State to capitalist accumulation, which thus becomes increasingly responsible for the production of urbanization. With the MCMV Program, the State channels public resources to capitalist production/accumulation occupied with satisfying some of the needs of the reproduction of the work force: housing, but especially the reproduction of capital present in their realization as commodities.

After more than five years of the program, critics converge on the following point: when we observe the table on the housing deficit⁴⁹ in Brazil, we see that 89.6% of this deficit is with regards to families with a monthly income of between 0 and 3 minimum salaries, a range for which less financing has been

contracted. The architect Ermínia Maricato says that the MCMV reverses the advances achieved by the Statute of the City and hands over to the private sector the power to build popular housing.

One could say that the crisis is presented as an internal and constitutive moment of urban space reproduction, to the extent in which space reveals the conflicts between the economic, political and social in the spatialization of their strategies. From the point of view of a theoretical analysis, the crisis establishes a dialectic understanding of space production, because it highlights its contradictory nature. This way, from the point of view of capital reproduction, we could say that the production of new residential real estate enterprises on the peripheries simultaneously express a crisis of spatial capital reproduction. The major space valuation in the city of São Paulo contributes to the production of a rarity and an overvaluation of space in central areas and a possibility of its replacement by producing new enterprises in peripheral metropolitan spaces, which will replace this contradiction again, on another level.

5. Land, real estate and state valuation: the capitalization/valuation of peripheral metropolitan spaces

We consider it necessary to temporarily separate, merely as an analytical recourse, different moments of the space valuation process. In fact, these four moments - land, real estate, state and spatial valuation - are not separate, but are integrated in the contradictory process of capitalist space valuation, being constituted through one another, in the other, by the other. The need to distinguish these moments occurs because of the observation that the peripheralization/metropolitanization process of the formal capitalist production of housing in Brazil presents new components in the space valuation process, which should be analyzed concretely with the purpose of overcoming many generalizations. The concrete study of space valuation, from our perspective, is based on a research project that involves studies on the land trajectories of target-land of new investments. This means there is a need to understand the process and the strategies of urban and real estate incorporation of these plots



of land, reviving analyses on the land dynamics of transforming rural land into urban land, subdivisions (dismembering fields), developments, verticalization -, the constructive processes of new properties – the space-time of the construction, its phases and stages, technologies employed, the urban and architectural projects -, the commercialization strategies and the relation of these new productions with the neighborhoods where they are produced, in the sense of understanding the reach of the valuation as a broader and more global process of transforming social space, also observing the temporality of this valuation of the process of shifting poor populations.

The meaning of our argument is that it is not possible to address space valuation in a generic way, which means that studying valuation involves going beyond the observation that "the prices of land and properties have risen on the peripheries as well" or that "real estate launches have been aimed at the peripheries". Another central issue is that this study would involve the need to use the scale of space as revealing of the moments to which we referred above, as well as revealing of the (re)produced socio-spatial practice. Moreover, this task is also that of dialectizing the valuation process as a constitution of abstract space, confronting it with the contradictory space production, that of social space. If new businesses are the spatialization of the logical form of the real estate-financial commodity, this spatialization carries particular components in its realization on the peripheries. There is a different urban land valuation that expresses real estate strategies and can contribute to the debate of new forms of segregation under way, the reinforcement of some centralities (valuation of already valued areas) and the creation of new spaces for valuation.

The spatial logic of urban land valuation is governed by its status as a commodity - anchored in private land ownership as a social, political and legal form - which involves virtually the entire space, and through the actions that develop in the sense of materializing this status of commodity generator of value and profits. Urban land and property valuations obey complex socio-spatial processes, in which multiple social elements are intertwined and in which the location participates in an important way. The change of land use is a first and central process that is at the foundation of price increases, since property comes to integrate a new connection with built space, having an



urban/metropolitan use value and, in the case of building residential properties, acquires the use value for housing. If before land had a use value linked frequently to speculation - or linked to other activities, such as industrial - the effective incorporation of human labor that materializes in building new properties and their connections with the rest of the urban space - connection to the power grid, roadways, sanitation, commerce, various centralities etc. - enables a qualitative leap in terms of the use value of this land, which realizes the valuation of land incorporated to this new use value which socializes the positivity of the urban. This land valuation linked to the change of land use and which establishes enhanced use value makes this land in the land market present an elevated exchange value relative to other land that does not have these connections to urban infrastructure or facilities. The price of land, therefore, increases.⁵⁰

The premise of real estate valuation is land valuation; in fact, it is the real estate sector - not only large corporations - in connection with public authorities that will carry out the changes of use and the production of new use values and exchange values of space. Therefore, land valuation is a condition, means and product of real estate valuation. From the point of view of the State, it will be responsible for the construction of basic infrastructure and urban facilities, since the corporations/builders will be responsible for elaborating the projects of new enterprises, the feasibility of financing the construction, regulating the construction according to urban and environmental laws and urban codes, building and commercializing new housing units.

It is important to observe that real estate valuation will be connected to land valuation through effective building and through the forms and characteristics of these constructions, the materials and methods employed, the architectural characteristics, the ideological representations of the new products - supposedly "sustainable" and "safe" housing. The question we present is that the land/real estate valuation process in/from the peripheries produces a space valuation that is not realized in the same way as in the central regions that are already highly valued, being necessary to think about the terms of space capitalization as a moment of space valuation. If there is overpricing of land and properties on the peripheries, the valuation of these spaces as a whole is



realized in a more fragmented and slower way, since they are addressed immediately and in their entirety by investments of the State, which is central to more fully realizing the valuation of space and to transforming some peripheral spaces on a broader scale.

We can consider that the paths that culminate in the construction of communities are nothing else but a process of successive valuations, necessary for reaching a level that makes the enterprise viable and profitable. Some plots of land that are not edified, partially or totally unoccupied, which are located near new enterprises can present a considerable increase in prices, since they can hold new enterprises or a new commerce to attend to new residents. There has also been a general increase in the prices of properties close to those of new enterprises, which do not have the more intense speed of the price increases of large plots of land. Land and real estate valuation produced in and based on the process of incorporating and building new housing produces a general capitalization of peripheral metropolitan spaces, being a necessary moment for the future space valuation.

Land and real estate valuations would enter together with a necessary state valuation - public investments in infrastructure, urban facilities and services -, as a condition, means and product of the space valuation process. On the peripheries, this space valuation process is fragmented, and does not directly reach (and does not necessarily establish connections) in impoverished spaces. It is worth noting that the land/real estate valuation process has been presented contradictorily as a possibility and at the same time a barrier to the real estate sector itself, since it raises the construction costs (property prices), which means a decrease in profit margins. Thus, the importance of programs such as the MCMV which in fact subsidize the real estate sector by reducing taxes, facilitates land acquisition, among others.

On the level of financialization, there is a capitalization of corporations (via the stock market and stock offerings) as well as the families (via bank credit). Mediated by policies such as the MCMV, these capitalizations are presented as a condition of realizing land (of soil) and real estate (of properties) valuation. But the real estate sector has to deal with the local and concrete space valuation process in order to achieve current and future profits, required



by state valuation. Moreover, capitalization as a product of land and real estate valuations (and partially of state valuations) and as a possibility of valuation is linked increasingly to the ideologies involved, such as that of home ownership, sustainability, and safety, which work as a symbolic ancillary capitalization.

Therefore, space valuation has become more complex. On the immediate level of space, when a new condominium has a neighborhood already established by areas of self-building, valuation becomes more restricted to the interior of the large enterprise, surrounded by peripheral neighborhoods whose extensions of devaluation cannot be valued as a whole as quickly. When the condominium is built in the middle of self-built neighborhoods, though more central, bordered by other empty properties, new investments can be attracted to these new properties. On a broader scale, if the region has large fields and properties located near highways which are available, this entire space is fictitiously capitalized by the simple purchase of lands or by the mere perspective of corporations building on these locations.

This space valuation would update the contradiction between the need to broaden the large real estate and financial gains and the need to produce cheaper housing for a population with limited financial resources. This contradiction is in part solved by the State (through the MCMV), which pays to the private sector the capitalization of space and guarantees demand. Similarly to the action of large corporations, land developers, small and medium-sized builders, the State itself - the Popular Housing Company (Cohab, abbreviation in Portuguese), the Housing and Urban Development Company (CDHU, acronym in Portuguese) - and families work on the production of peripheral metropolitan space, producing developments, properties, gated communities, housing projects. These activities constitute the plan of space valuation and should be analyzed concretely in order to move away from the risks of generalizations.

6. Final considerations



The peripheralization/metropolitanization of housing production integrates one of the modalities of the space valuation process, which is presented as one of the possibilities of an increase in the social foundation of capitalist accumulation through urban production. Other space production processes are added to it: the revaluations of areas in urban centers, new investments in deindustrialized areas, agrarian space production linked to the development of the so-called agribusiness, the production of large infrastructure in the national territory, space production linked to tourism and so-called mega-events (the World Cup and the Olympics), among others.

Housing has been broadly produced as an urban business financialized especially through large corporations, which do away with urban policies and contribute to an increase in the space valuation processes, repossessions and segregation, reproducing peripheries and producing new peripheries. The development of this process points towards a horizon that drives the poorest among the impoverished farther away, aggravating and increasing socio-spatial segregation, fragmentation and hierarchies on the peripheries. Therefore, we can conclude that the new components of peripheral space valuation integrate the current capitalist reproduction - real estate-financial-state -, which produces the abstract space of homogeneous housing and new socio-spatial practices as a condition and means of their own reproduction. But the contradictions of this process do not stop emerging, whether on the level of capital reproduction, or, mainly, through processes of urban struggle which have been incorporating the perspective of the urban as a whole in housing, as a possibility for realizing the right to the city.

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Notes

¹ Cf. Ana Fani Alessandri Carlos, *A (re)produção do espaço urbano*, São Paulo, Edusp, 2008.

² Karl Marx, *Formaciones económicas pré-capitalistas*, México, Siglo Veintiuno Ediotres, 2004; *Grundrisse: manuscritos econômicos de 1857-1858*, São Paulo, Boitempo Editorial, 2011.

³ Henri Lefebvre, *De lo rural a lo urbano*, Barcelona, Ediciones Península, 1973; *A revolução urbana*, Belo Horizonte, Ed. ufmg, 2004; *Espaço e política*, Belo Horizonte, Ed. ufmg, 2008.

⁴ Manuel Castells, *A questão urbana*, Rio de Janeiro, Paz e Terra, 2006.

⁵ Christian Topalov, *Le profit, la rente et la ville: elements de théorie*, Paris, Economica, 1984.

⁶ Alain Lipietz, *Le tribut foncier urbain*, Paris, François Maspero, 1974.

⁷ Mark Gottdiener, *A produção social do espaço urbano*, São Paulo, Edusp, 2010.

⁸ Jean Lojkine, *O Estado capitalista e a questão urbana*, São Paulo, Martins Fontes, 1997.

⁹ David Harvey, *A justiça social e a cidade*, São Paulo, Hucitec, 1980; *Los limites del capitalismo y la teoria marxista*, México, Fondo de Cultura Económica, 1990

¹⁰ Ariovaldo Umbelino de Oliveira, Renda da terra. *Orientação*, São Paulo, Universidade de São Paulo/Instituto de Geografia, n. 5, out, 1984, pp. 94-95; Renda da terra diferencial I e Renda da terra diferencial II. *Orientação*, São Paulo, Universidade de São Paulo/Instituto de Geografia, n. 5, dez, 1985, pp. 93-104; Renda da terra absoluta, Renda da terra de monopólio, renda da terra

pré-capitalista e Preço da Terra. *Orientação*, São Paulo, Universidade de São Paulo/Instituto de Geografia, n. 7, dez, 1986, pp. 77-85.

- ¹¹ José de Souza Martins, *O cativo da terra*, São Paulo, Contexto, 2010.
- ¹² Antônio Carlos Robert Moraes e Wanderley Messias Costa, *A valorização do espaço*, São Paulo, Hucitec, 1999.
- ¹³ Ana Fani Alessandri Carlos, *A (re)produção do espaço urbano*, São Paulo, Edusp, 2008.
- ¹⁴ Antônio Carlos Robert Moraes e Wanderley Messias Costa, *A valorização do espaço*, São Paulo, Hucitec, 1999. pp.126-7.
- ¹⁵ Mark Gottdiener, *A produção social do espaço urbano*, São Paulo, Edusp, 2010, p.176-7.
- ¹⁶ Ana Fani Alessandri Carlos, *A (re)produção do espaço urbano*, São Paulo, Edusp, 2008.
- ¹⁷ Mark Gottdiener, *A produção social do espaço urbano*, São Paulo, Edusp, 2010, p.185.
- ¹⁸ Henri Lefebvre, *A revolução urbana*, Belo Horizonte, Ed. ufmg, 2004, p.142.
- ¹⁹ José de Souza Martins, *O poder do atraso*, São Paulo, Hucitec, 1999; Lígia Osório Silva, *Terras devolutas e latifúndio*, Campinas, Ed. Unicamp, 2008.
- ²⁰ Henri Lefebvre, *A revolução urbana*, Belo Horizonte, Ed. ufmg, 2004, pp.146-7.
- ²¹ From the institution of the Secured Transactions of Property Assets, discussed in other studies.
- ²² We refer to the studies carried out in our doctoral dissertation.
- ²³ Adriano Botelho, *O urbano em fragmentos: a produção do espaço e da moradia pelas práticas do setor imobiliário*, São Paulo, Annablume/Fapesp, 2007, p.166.
- ²⁴ Nabil Georges Bonduki, "*Política habitacional e inclusão social no Brasil: revisão histórica e novas perspectivas no governo Lula*", em *Arq.urb: revista eletrônica de arquitetura e urbanismo*, São Paulo, n. 1, 2008, pp.78-79. Available at: <<http://www.usjt.br/arq.urb>>. Accessed on: 18 out. 2011.
- ²⁵ In the works by Shimbo (2012) and Tone (2010), there is an analysis of the innovations in construction technologies on the building site (work process).
- ²⁶ The interviews to which we refer were carried out during our doctoral study.
- ²⁷ Idem.
- ²⁸ Idem.
- ²⁹ Idem.
- ³⁰ According to interviews carried out during my doctoral dissertation.
- ³¹ Idem.
- ³² Idem.
- ³³ Through the company *Bairro Novo* ("New Neighborhood"), studied in our doctoral dissertation.



³⁴ The increased financial leverage represents a relation in which the liquid debt of the companies sometimes exceeds their liquid patrimony.

³⁵ In addition to the work by Langenbuch (1971), we take the work by Carlos (2008) as a possibility of understanding the contradictory relations between the reproduction of the metropolis and the current space production in Cotia.

³⁶ Ana Fani Alessandri Carlos, *A (re)produção do espaço urbano*, São Paulo, Edusp, 2008, p. 101;102-3.

³⁷ Idem, p.112.

³⁸ Cf. Langenbuch (1971, p. 300-1).

³⁹ Cf. Carlos (2008, p.114).

⁴⁰ Idem, p.125.

⁴¹ Idem, p.137;143.

⁴² Idem, p.153.

⁴³ Ana Fani Alessandri Carlos, *A (re)produção do espaço urbano*, São Paulo, Edusp, 2008, p.125.

⁴⁴ Source: Ministry of Work and Employment (MTE, acronym in Portuguese). Annual Report of Social Information 2012 (RAIS, acronym in Portuguese). Available at: <<http://produtos.seade.gov.br/produtos/perfil/perfilMunEstado.php>>. Accessed on: 27/07/2014.

⁴⁵ Cf. Carlos (2008, p. 101; 102-3); Langenbuch (1971, p.216).

⁴⁶ David Harvey, *Los limites del capitalismo y la teoría marxista*, México, Fondo de Cultura Económica, 1990.

⁴⁷ Jorge Grespan, *O negativo do capital: o conceito de crise na crítica de Marx à economia política*, São Paulo, Hucitec/Fapesp, 1999, p.27.

⁴⁸ David Harvey, *Los limites del capitalismo y la teoría marxista*, México, Fondo de Cultura Económica, 1990

⁴⁹ The definition of "deficit" holds a broad debate of methodologies that we will not go into here. We follow the definition by the João Pinheiro Foundation (FJP, acronym in Portuguese).

⁵⁰ The study of valuation must consider buying and selling land (and the negotiated values), their subdivisions, land use and transformations.



Scales of accumulation in the production of cities ¹

Daniel de Mello Sanfelici

In the past two decades, academic research in geography and other fields of social sciences has advanced considerably in theorizing about the scalar dimensions of socio-spatial processes. During the greater part of the 20th century, the dominance of the nation-state as a basic spatial unit for containing, disciplining and transforming the fundamental social relations of capitalism provided the concept of territory with considerable prestige in geographical discourse. Meanwhile, we can claim that the forces of economic-political restructuring, unleashed after the crisis of Fordist capitalism in the 1970s, have drawn the attention of a growing number of scholars to the multi-scalar nature of the spatiality of capitalist accumulation and state regulation. Indeed, it is an established idea today that the dissolution of the institutional arrangements and reproductive mechanisms that had guaranteed the accelerated expansion of post-war capitalism engendered a reorganization of the scalar hierarchies constitutive of social spatiality, effectively calling into question the dominance of the national scale as the key level for organizing and regulating social relations.

By focusing on the transformations that fell upon Brazilian cities in the wake of the real estate expansion that began in the mid-2000s, we intend in this paper to highlight the scalar dimensions of the production of Brazilian cities in recent years. The main contention of this contribution is that the recent transformations of Brazilian cities are rooted in a new and essentially contradictory interaction between players, processes and strategies that prioritize different spatial scales of action. This scalar rearrangement is a basic foundation of the intensification of capital accumulation in the production of cities and results in the increased tendency for Brazilian metropolises to operate as spaces aimed primarily at economic growth at the expense of their other functions and potentials. With the purpose of developing the argument in question and establishing its theoretical-conceptual coordinates, we begin with a brief literature review of the debate on spatial scales in geography, in general, and in urban theory, in particular. In the second part, we present a



reinterpretation of the economic changes that sustained the short real estate boom experienced by Brazil mainly from the mid-2000s onwards. In this reinterpretation, we aim to identify the main private-sector players involved, their key practices and strategies, and their predominant spatial scales of operation. In the third and last section, we aim to present elements for a discussion of this scalar arrangement as a fundamentally contradictory process of economic coordination whose beneficiaries are chiefly major global financial investors, such as mutual funds, pension funds, insurance companies and their intermediaries in the management of asset portfolios.

On the scalar dimension of the production of space

It is unquestionable that the path of concepts, rooted as it is in a socially embedded practice, i.e. scientific practice, maintains a close relationship with the sociocultural and economic context that characterizes a determined historical period. But it is equally true that the scientific debate, as a product of a field of practices that is relatively autonomous vis-à-vis other fields of social practice,² regularly manifests a preference for certain ideas and concepts in detriment to others that are not necessarily less revealing of an underlying reality. In this sense, it is not with little interest that the recent visibility acquired by the concept of geographical scale should be observed, considering that this concept had remained for a long time on the fringe of other more broadly used ones in the debate on globalization, such as those of networks and (de)territorialization.

Evidently, there are different ways of conceiving and framing the issue of scale, its theoretical nature and its use in geographical research. Iná Elias de Castro,³ in an acclaimed paper in Brazil, assumes an epistemological approach, inspired by Merleau-Ponty, on the issue of scale, seeing the latter as a point of view that the researcher chooses in confronting the research object. In other words, for Castro, scale consists of "a way of dividing space, defining a perceived/conceived reality, [...] a way of giving it a form, a representation [...]".⁴ This approach, identified as perspectivist by Vainer,⁵ is distinguished from an

approach that we can call ontological, in the sense that it sees scales not as methodological choices at the disposal of the researcher, but as constitutive elements of social reality. It is by means of this latter approach that one can interpret the recent transformations in the Brazilian urban process as a reconfiguration of the relations between spatial scales. It is necessary to review some key moments of the debate.

Without a doubt, the 1980s constitute an important milestone in the reflection on scale in Geography and other social sciences. Evidently, it would be a mistake to suggest that there had been no analyses attentive to the different spatial scales that shape modern society's fundamental social processes. Various authors - Marx among them - developed arguments that involve, more or less implicitly, scalar narratives⁶ or incorporate determined scalar assumptions.⁷ However, it is only from the 1980s forward that analyses emerged proposing to reflectively theorize on geographical scale as a fundamental dimension of the spatiality of capitalism and the production of social space.⁸

Within this incipient debate, Neil Smith, without a doubt, had a central role with the discussion developed in *Uneven Development*.⁹ In this book, Smith addresses geographical scales and their hierarchical organization as fundamental dimensions of the differentiation of geographical space under capitalism. For him, not only does capitalism transform spatial scales inherited from other modes of production, but it also modifies them permanently, since "it is through the continuous determination and internal differentiation of the spatial scale that the uneven development of capitalism is organized".¹⁰ However, one can claim that Smith's work still lacks a fully historicized conception of spatial scales and their arrangements, since Smith only admits to the *internal* transformation of each spatial scale. As Neil Brenner observes,¹¹ there is still no concern, on the part of Smith, to historically contextualize the hierarchical structure of spatial scales.

Neil Smith himself advanced his concept of scale in an article in which he addresses the production and reproduction of urban space based on the spatial practices of the homeless.¹² In the context of analyzing an experiment with a non-motorized vehicle that gave greater mobility to the homeless in New York,



Smith coined the term "politics of scale" to refer to the fact that the production of scale is necessarily a social process open to political struggle. In other words, because scales and their boundaries delimit and, for this reason, influence determined social processes, political disputes emerge regarding their definition and transformation.¹³ Smith summarizes, in a subsequent paper, the advances in the conception of scale that this perspective provided:

Geographical scale is traditionally treated as a neutral metric of physical space: specific scales of social activity are assumed to be largely given as in the distinction between urban, regional, national and global events and processes. There is now, however, a considerable literature arguing that the geographical scales of human activity are not neutral 'givens', not fixed universals of social experience, nor are they an arbitrary methodological or conceptual choice[...]. Geographical scale is socially produced as simultaneously a platform and container of certain kinds of social activity. Far from neutral and fixed, therefore, geographical scales are the product of economic, political and social activities and relationships; as such they are as changeable as those relationships themselves [...].¹⁴

This more reflective, relational and historical formulation of the issue of scale opened up the path for numerous studies that aimed to (re)interpret various phenomena and processes associated with the globalization and restructuring of capitalist accumulation as producers of new relations, hierarchies and connections between different geographical scales. Neil Brenner's study¹⁵ on urban governance in the European Union provides a clear example of the possibilities opened by this conceptual reformulation. Brenner investigated the changes in the forms and modalities of political-institutional regulation of the urbanization process in Europe, demonstrating that the capitalist restructuring after 1980 entailed a reconfiguration of the scalar framework that had supported state intervention during the period of Keynesian-Fordist expansion. While the period of post-war expansion had been characterized by a strong dominance of the national scale in the institutional regulation of the contradictory processes of capital accumulation and social reproduction, the deep transformations triggered by the crisis of Fordism after 1970 and the redefinition of the priorities of the state threw this scalar structure

into disarray. On the one hand, the local and regional scales gained strength in the definition and implementation of economic development policies such as those providing stimulus for industrial competitiveness and tax incentives to attract investments. On the other hand, new forms of governance on the supranational scale, as is the case of the European Union in Brenner's study, removed part of the capacity for economic coordination that the national state had until then, transferring it to higher scales. In sum, the state's shifting political priorities in the wake of the crisis of Fordism materialized through a reshuffling of the geographical scales of state institutionality.¹⁶

Beyond the work of Neil Brenner, in recent years, numerous other studies have emerged which consider geographical scales and their transformations as decisive analytical tools for clarifying the relations of power engendered by the globalization of the capitalist economy¹⁷. As interesting as these studies are, it is not our purpose here to present and discuss them. It is worth pointing out, however briefly, before we continue, the most valuable theoretical advances of this round of debates, especially considering the objective of this contribution. Aware that this procedure will require emphasizing aspects and propositions previously alluded to, we can extract five important contributions of the debate on scales that are pertinent for reflecting on the recent trajectory of the production of urban space in Brazil: (1) geographical scales are not fixed, neutral or naturalized arenas or containers of social action; instead, scales and the hierarchical relations between scales are socially produced, historically contingent and, therefore, subject to transformations and rearrangements; (2) geographical scales cannot be understood in and of themselves, but they need to be seen relationally, that is, based on the vertical and horizontal relations that they establish with other geographical scales; (3) each economic, political or social process in particular exhibits a determined scalar configuration, such that there is not necessarily an overlap or coincidence in the scalar structures or hierarchies engendered by these different processes;¹⁸ (4) the scales and the hierarchical relations between scales are the result, and at the same time a privileged object, of struggles for power; in other words, the definition of the components of the inter-scalar relations is a fundamental part of the dispute for power between different social



groups and classes, such that the resistance to a determined social order, as well as the construction of a different order frequently entail a reconfiguration and reshuffling of geographical scales; (5) the inter-scalar relations are not, most of the time, stable and harmonic relations; mostly, these relations involve tensions, instabilities and contradictions resulting from differences, imbalances or even oppositions between players and processes that operate (primarily) at different scalar levels; and finally, (6) the production of scale is only one dimension or aspect of the production of space and, for this reason, does not include the broad range of socio-spatial processes contained in the latter concept; for this reason, in addressing a determined research issue, one cannot disregard the connection of a determined process identified as relevant (for example, scale production) with other socio-spatial processes – such as regionalization, the formation of networks and territories etc. – which can be pertinent to the understanding of the issue.¹⁹

The multi-scalar architecture of the real estate boom in Brazil

It is not necessary here to provide a thorough account of the economic and political circumstances that made Brazil's mid-2000s real estate boom possible, given the existence of a relatively extensive literature on the subject.²⁰ Rather, our purpose is to examine the changes that occurred in the Brazilian real estate market as expressive of a unique interaction of players, processes and forces that operate at different geographical scales. To this end, we will highlight the main changes that took place in this market and relate them to the emergence and/or strengthening of certain players and new patterns of interaction between these players. This new web of economic relations will thus allow us to characterize the current moment as structurally distinct from what had predominated until then in the production of cities.

The main transformation that has occurred in the Brazilian real estate market since the 1990s was undoubtedly its growing internationalization. For a long time, the real estate market had been a strictly local market, generally under the control of firms run by influential families in the region, who would shift capital accumulated in other segments to investments in property

development and building. In this context of geographically restricted markets, few firms invested capital in projects outside of their own region and the real estate sector worked, primarily, as a complementary field of accumulation that enabled the preservation and expansion of surplus capital generated in other branches of business. In a few larger agglomerations, a specialization and professionalization emerged in the 1970s in the real estate market, but even in these cases, the local or regional nature of accumulation survived as an important feature of the real estate sector.

From the 1980s, and mainly the 1990s, onward, some more significant changes have been observed. Firstly, there has been an incipient geographical expansion of construction and development firms, which have begun to pursue strategies of regional diversification. This is the case of Encol, which went bankrupt in the 1990s, but also other firms still in operation today, such as Rossi. Though it was a marginal phenomenon in the 1990s, this attempt to operate at supra-local scales constituted a sign of what would occur in the following decade. Secondly, real estate investment trusts, entities that pool capital from financial investors and channel it into revenue-generating real estate assets, were regulated in 1993. Though their presence was still limited in the Brazilian real estate market, at the end of the 1990s and the early years of the 2000s, various real estate projects in São Paulo (mainly in the high end office market) are financed by these vehicles.²¹ We have also observed in the São Paulo real estate market, especially in the high-end office buildings, the presence of international firms in partnership with Brazilian builders on specific projects.²² These changes amount to a first step towards a scalar reorganization of the urban real estate market.

This transformation would only become established over the course of the 2000s, when an intertwining of the circuits of real estate development with the capital markets effectively occurred. The initial impetus for this transformation came from a group of Brazilian developers and builders who diversified their sources of funding when they saw an opportunity to grow more quickly in the face of a demand that rose due to the supply of mortgages. Initially, many of these firms appealed to private equity funds that would invest in them and oversee their efforts of administrative and operational



restructuring²³. The presence of these funds helped developers to formulate expansion plans that were attractive in the view of the financial market actors, an indispensable step for public listing in the stock market. The wave of the initial public offering for companies from the development and construction sector occurred between 2005 and 2007, when a group of 21 firms obtained a significant volume of funding to invest in the expansion of their businesses.²⁴ Most of the investors who acquired a stake in this group of firms were financial institutions such as pension funds, insurance companies, mutual funds, among others, based in Brazil as well as abroad. Contrasting with commercial banks, institutional investors, as the key players of globalized finance are called,²⁵ operate in secondary securities markets (stock markets) where asset prices can be known in real time. This attribute of open markets enables these investors to establish instant comparisons between assets (stocks, government bonds, private bonds etc.) backed by a broad range of economic activities.

The relationship established between these shareholders, with a particular investment profile, and the developing and building firms constituted the focus of the body of research that interpreted the recent transformations from the point of view of financialization - that is, of the decisive influence exercised by the dynamic of the capital markets over the operation of the real estate market and, consequently, over the transformations that affected Brazilian cities in recent years.²⁶ The characterization of the process as expressive of the financialization of the economy is, from our point of view, appropriate and in line with trends that are, for all intents and purposes, global.²⁷ However, we should avoid regarding financialization as an all-encompassing and omnipresent process capable of explaining any and every dynamic that occurs in the real estate market. Moreover, it is equally mistaken to interpret financialization in this sector as a unidirectional process of oligopolization of the real estate market, in which there would be an almost absolute control of the joint stock companies over the country's housing supply.

In this sense, some remarks and caveats are important for the argument that we intend to elaborate. Firstly, it should be noted that the influence of financial investors over Brazil's real estate market is manifested, primarily, on the side of the housing supply (and less so on the side of the demand): it is

more precisely through the power that shareholders exercise, directly or indirectly, over firms in the real estate sector and their investment decisions that one observes the influence of the capital market on the dynamic of real estate development. This process qualitatively distinguishes what happened in Brazil from the dynamics that characterized the real estate boom-and-bust cycle in the United States and other countries where the circulation of securitized mortgages in international financial markets constituted the core of the process.

Secondly, and in a related way, housing finance in Brazil continues to have public and private banks as fundamental players, operating in a model of non-securitized credit. There has been, without a doubt, a growth in securitized mortgage loans, especially after the more transparent regulation of these mechanisms,²⁸ but securitized mortgages are still marginal if we consider the total amount of housing credit supplied in the country. This means that the mortgage debt contracted by borrowers does not circulate, for the most part, in secondary mortgage markets, but remain on the balance sheet of commercial banks. This is why the dynamic of housing finance is less influenced by the ups-and-downs of financial markets than is the case in other countries where securitized assets gained ground.

Thirdly, if it is true that this group of firms with a yearly turnover commonly surpassing R\$1 billion leave increasingly visible marks on the Brazilian metropolises, it is no less true that small and medium-sized developers continue to have an important presence in the property market, even in cities like São Paulo and Rio de Janeiro. The presence of these smaller firms is not a remnant that will be wiped out by the inexorable growth of large corporations, nor a specific characteristic of a purportedly “backward” sector when compared to others that incorporate technologically intensive fixed capital. The real estate market is fundamentally different from other durable goods markets in that the centralization of capital is always a partial process.²⁹ As such, major firms must establish ties with other companies, frequently of smaller size, either as partners or as competitors.

These considerations lead us to analyze the transformations that have affected Brazil’s real estate market in the past few years in terms of the emergence of a new web of relations between economic players operating at



different spatial scales. This means that the decisive influence exercised by financial investors is not made effective except through the establishment of trans-scalar networks of relations³⁰ that enable them to territorialize global financial capital in urban real estate projects. These relations, however, are not necessarily harmonious; on the contrary, they frequently expose divergences and contradictions between players whose strategies and operational logics vary, in part because their actions prioritize different scalar horizons. Before entering this discussion, the main players of this multi-scalar architecture should be identified.

Table 1 - Scalar dimensions of urban real estate activity

Scales	Players	Processes and actions
Global	Institutional investors (pension funds, insurance companies, etc.) and their intermediaries (asset managers)	Purchase of securities backed by real estate (stocks and bonds issued by corporations) as part of a strategy of diversification of asset portfolios in terms of segment (fixed or variable income, sectors of the economy, etc.) and geographical region ("emerging" or developed countries).
	Private equity funds	Purchase of stakes in firms and prominence in the management reorganization prior to stock listing (usually reselling their stake after the IPO)
	Credit rating agencies	Issue of standardized scores, based on financial market criteria, which evaluate the degree of borrower trustworthiness
National	Real estate investment trusts (REIT)	Acquisition and management of diversified portfolios of properties with the aim of generating revenues (shopping malls, office towers, logistics complexes, etc.)
	Publicly-listed developers and builders	Public listing in the Bovespa and financing the investment by resorting to capital markets
		Territorial dispersion of investment and centralized monitoring of the operational and financial results
	Nationwide commercial banks	Acquisition of Real Estate Receivable Certificates (CRIs) or transferring their portfolio of mortgage loans to securitization companies.
		Broadening the flow of resources to housing financing
Securitization companies	Securitization of mortgage portfolios and supply of Certificates of Real Estate Receivables (CRIs) in capital markets.	
Local/Urban	Partner developers and builders	Establishment of partnerships with national builders/developers in specific segments
		Acquisition of land and supply of mega-projects with a strong impact on the dynamic of local prices and on the structure of urban space
	Land owners	Sale/swap of land with financialized developers to promote large-scale projects
	Small family corporations	Providing services to major builders by subcontracting.

Source: Created by the author.

The table above presents a summary of the (main) players and processes involved in the reconfiguration of the urban real estate sector in Brazil, as well as the scalar positions (predominantly) occupied by these players. In the right-hand column are listed some of the main economic practices undertaken by these players. A brief view of the table allows us to recognize some of the transformations alluded to in the previous paragraphs.

Firstly, the relevance assumed by the global scale in the circulation of value in real estate business is undoubtedly the most important development of recent times. The presence of foreign investors in Brazil's real estate sector is, of course, not completely unheard of, and the historical examples here are relatively abundant - from property speculation by firms specialized in urban infrastructure at the beginning of the 20th century (as is the notorious case of Light in São Paulo), to joint ventures between foreign and domestic firms in the real estate market of tourism in the Northeast in the 1990s, to the direct presence of international builders/developers in the high-end office market in São Paulo. The issue is not so much the novelty of the presence of international capital, but the density and regularity of interactions between global investors and the circuits of capital accumulation in real estate activity.

This consistent presence of global investors in the Brazilian real estate circuit is not, evidently, a natural development of market liberalization, but rests on a series of reforms and regulations implemented from the 1990s forward in Brazil.³¹ These reforms enabled the transformation of real estate into financial assets, forms of fictitious capital tradable in secondary markets. The creation of these new financial assets backed by real estate activity constitutes an indispensable condition for turning real estate development into an attractive target for investment funds operating in open capital markets, since it allows them to get around the problem of real estate's lengthy turnover time and to adjust this investment circuit to the (short-term) strategies of asset management undertaken by these funds^{32,33}.

The two main paths of entry of these global investors in the recent Brazilian real estate boom were the purchase of shares in Brazilian builders and developers and the acquisition of shares in real estate investment trusts (though, in this latter case, the data referring to the identity of shareholders are



confidential). Access to funding allowed developers to implement ambitious plans aiming to increase market share in the real estate sector, especially through segment and geographical diversification of investments.³⁴ There was effectively a scalar leap for this group of developers, which, from small and medium-sized firms operating in restricted regional markets, suddenly became large corporate groups with national reach. Real estate investment trusts, in turn, were able to raise capital, especially from 2009 on, to diversify their investment portfolios in property, though in this case, regional diversification was much less expressive.

This scalar leap of developers and builders would not have been possible if commercial banks (mainly public) had not simultaneously channeled funds from savings accounts and from the severance indemnity fund (FGTS acronym in Portuguese) toward mortgage credit. This is most evident from 2009 on. The macroeconomic changes observed in the first Lula administration (2003-2006), as well as the incentive for mortgage lending represented by the *Minha Casa, Minha Vida Program* ("My House, My Life" Program) from 2009 on were decisive for increasing the volume of loans granted. This performance by the banks on a national scale was indispensable for creating new solvent demand, both of income strata previously lacking access to homeownership (especially the medium-low income strata), and in regional terms, to the extent in which broadening the spectrum of potential buyers made it possible for publicly-listed developers to enter other regional markets by allowing for economies of scale (not without contradictions, as we will see later on).

The territorial dispersion of capitalized developers with a view to increasing market share forced them to engage in relations with numerous local players, such as land owners, small and medium-sized regional developers, subcontracting firms, building materials providers, architectural firms, etc. Therefore, beyond the links tying global financial players with Brazilian business groups operating at a national scale, the reorganization of Brazil's real estate market also inaugurated new relations between what happens at the national and local scales. It is necessary to insist on the proviso, made previously for the case of the ties between the global and national scales, that relations between these scalar levels are far from being a novelty in the real estate market. The

housing policy inaugurated by the military regime was already based on an interaction between an institutional and regulatory framework structured at the national scale (The Housing Financial System, supervised by the National Housing Bank– BNH, acronym in Portuguese), on the one hand, and builders and/or cooperatives that, organized at the local scale, ensured the use of resources (financing and subsidies) in the provision of housing. What is new is the change in the nature of the links between these scales of accumulation: it is not only the financing circuits that operate, today, at the national scale, but also the investment strategies of major real estate development groups and real estate investment trusts.

The density of economic relations that materializes this multi-scalar arrangement is, without a doubt, more complex than can be represented schematically in a table. However, more than characterize and describe the myriad of economic relations and processes that articulate these different scalar levels, our purpose here is to problematize the constitution and reproduction of this scalar arrangement. The relevance of this path is justified once we call into question a certain naturalization of inter-scalar economic relations that tacitly appears in many approaches on the economic transformations engendered by globalization. From this point of view, the scalar arrangement identified up to this point needs to be scrutinized as a problem of economic coordination.

The inter-scalar relations from the perspective of economic coordination

The mainstream economic approach, based on the general equilibrium paradigm, conceives of the economic coordination process as a spontaneous outcome of market relations maintained between economic subjects bearing an innate rationality.³⁵ In this essentially ahistorical conception, the adequate functioning of the price system, the primary source of information at the disposal of economic subjects, is everything that is needed to coordinate the actions of individuals and firms and, therefore, to reach a state of balance between supply and demand. Criticism of this theoretical perspective was the cornerstone of many schools of thought in the political economy, economic sociology and



economic geography which emerged in the past few decades. Though very distinct in their basic methodologies and in their theoretical assumptions, these heterodox strands are unanimous in condemning the basic assumptions of the equilibrium paradigm by signaling that the coordination between economic players cannot be effected without the fundamental mediation of institutions (state or non-state), conventions, norms, routines and cooperative networks that enable the social and territorial embeddedness of economic transactions.

The interpretation of the economic transformations that have taken place in the Brazilian real estate market from this point of view allow us to see the inter-scalar ties between the players in question as a contradictory process of economic coordination. To clarify what is being said, it is necessary to observe, in the first place, that the construction of scalar links is primarily a result of the pursuit, by the hegemonic economic players, of broader horizons of accumulation, which contribute to strengthening the valorization of their capital. However, these economic relations between players that operate (primarily) at distinct geographical scales are frequently filled with tensions and contradictions that reflect the different logics, temporalities and spatialities that guide their predominant economic practices. Moreover, the multiple forms of state or non-state regulation of the interactions between these players are not necessarily successful in the sense of stabilizing the emerging scalar configuration. We intend to illustrate this process by emphasizing, based on previous research,³⁶ some of the contradictions that have flourished in the course of Brazil's real estate boom beginning by the mid-2000s.

A first angle of observation is that of the relations established between global financial investors and national housing development firms. Seen superficially, these relations appear only as anonymous acquisitions of stocks and bonds by investors or financial groups, motivated by the expectations of revenue that the economic conditions prevalent in the real estate sector allowed. However, numerous institutional and regulatory layers made the economic relations between these players possible.

In the first place, the development of Brazil's capital market was not a spontaneous product of the 1990s capital account liberalization. As observed by Leda Paulani,³⁷ the path for Brazil to become a "platform for financial

investment” primarily involved the country’s gradual building up of “trustworthiness” in the eyes of financial investors and their credit rating agencies. To this end, the successive commitments of the Brazilian government to obtaining budget surpluses that guarantee the public debt service, and thus the value of government debt bonds, would become the basic pillar of liquidity in Brazil’s capital market. Therefore, if on various occasions investors expressed mistrust of the capacity of the Brazilian government to honor their financial commitments, there was also the immediate willingness by the administrations – whether PSDB or PT – to guarantee the financial community that debt service would remain a top priority in state spending – thus the concern with primary surpluses and monitoring Brazil’s “credit risk”.

Beyond these basic macroeconomic conditions, the successive administrations, since the first term of Fernando Henrique Cardoso, created the conditions for exceptional returns on financial assets: on the one hand, the country’s base interest rate was kept at high levels (at times very high); on the other hand, numerous exemptions and tax benefits were conceded to investment in bonds, stocks and other financial assets. These reforms created the foundations for guaranteeing greater depth and liquidity to the stock market, which began to exhibit exponential growth in the 2000s.

At the specific level of real estate groups’ access to the capital markets, it was also necessary for these companies to be committed to international standards of corporate governance, which are seen as indispensable by financial investors.³⁸ In the São Paulo stock exchange (Bovespa), for a company to be listed among those with a higher standard of corporate governance, consonant with the international guidelines proposed by institutions such as the World Bank, it needs to commit to regularly releasing a series of detailed information about its operational and financial performance. Adherence to these principles of corporate governance is positively viewed by institutional investors because, by providing greater transparency to the firm’s management, they favor decisions of investment and improve liquidity in secondary markets.³⁹

These various (overlapping) layers of regulation established the foundations for the association between global investors and national developers from the mid-2000s onwards. They did not prevent, however, the



occurrence of tensions and contradictions between these spatial scales of economic action, expressive in the divorce between the spatial and temporal horizons that govern investors' portfolio management, and those that guide the activities of the real estate market.

To clarify the nature of these tensions, it should be noted, in the first place, that the formation of asset prices in financial markets rarely reflect a rigorous analysis, on the part of market players, of the fundamentals of the economic activity underlying the assets traded. In other words, asset prices (i.e. prices of stocks and bonds) rarely reflect in a reliable way the real opportunities of accumulation in a given sector. Instead, asset prices in financial markets have a strongly self-referential component, in the sense that they express a state of expectations shared by the financial market community at any given time. These expectations form conventions that temporarily stabilize prices, but these conventions can suddenly fall apart as a consequence of investor decisions that go against shared expectations.⁴⁰

It is not at all surprising, in this context, that the bonds issued by Brazilian developers had been subject to wide fluctuations, after a period of market euphoria subsequent to public listing. In fact, according to interviews carried out between 2010 and 2012, financial investors' superficial knowledge of the specific characteristics of the Brazilian real estate market led to the formation of conventions based on unstable parameters. This is how it happened in the first few months after public listing, when the size of firms' landbanks became the privileged criteria in shaping expectations regarding their growth potential. This parameter was soon substituted by another that was no less one-sided: investors estimated that the companies that presented expansion plans for more robust launches would be those who, in the future, would deliver better results in terms of capital gains and distribution of dividends.

These shifts in financial conventions would be of little interest if they did not affect managers' decisions in the firms in focus. However, it is precisely because the investment decisions real estate developers were, to a greater or lesser degree, directed by these conventions that one can think in terms of tensions between spatial scales of economic action. As reported by the managers interviewed, the initial emphasis of the financial markets on the size



of land banks led some developers to scramble for urban land, a move that apparently triggered an increase in land prices in Brazil. Something similar occurred when the priority of investors shifted to predicting future launchings – the so-called guidance, whose fundamental indicator is a projection of sales value to be made in a year. Motivated by these expectations, developers moved towards a more aggressive launch strategy: on the one hand, they bet on larger projects, which enabled firms to speed up the delivery of new projects by shortening the time spent on bureaucratic procedures, such as project approval and studies of the environmental impact; on the other hand, they saw in regional diversification an opportunity to quickly increase their output, especially by better exploring the markets of the interior of São Paulo and that of other Brazilian metropolitan areas.

Not all of them, evidently, followed the same script. For those firms that more readily heeded the injunctions of the financial markets, primarily with the aim of maintaining stock prices at a high level, some decisions had worrying consequences for their economic performance as well as for the production of cities. The building up of large landbanks, for example, immobilized firms' capital in assets with low liquidity. As the 2008 crisis generated a liquidity crisis in the international financial markets and ended up affecting Brazil's banking system, some developers were left without working capital to carry on their operations. Only a government bailout, with the supply of credit lines through state banks, avoided a more serious outcome. A similar speculative leap was observed when developers aimed to speed up their sales projections as a means of demonstrating their growth potential. The priority given to large projects, as well as their territorial dispersion in pursuit of new markets, find an explanation in this commitment, made with investors and shareholders, to accelerating new starts and increasing revenues⁴¹. As predicted, the rash expansion to other markets and the multiplication of megaprojects met, in various cases, with problems such as excess of supply, underestimated construction costs, delays in delivery etc. (see more below), not without leaving marks on the spaces of the city.⁴²

It is thus possible to claim that the forms of regulation that strengthened the connections between global investors and national developers did not



prevent contradictions from emerging between these spatial scales of accumulation. These contradictions express the inconsistencies between the spatial and temporal horizons of accumulation that govern the economic practices of the players involved – on the one hand, the pursuit of short-term capital gains on the part of large financial investment funds, which base their investment decisions on volatile expectations that give shape to short-term conventions, often out of tune with the fundamentals of accumulation; on the other hand, the specific characteristics of a sector that exhibits a slower turnover time, in which the maturation of investments requires long-term planning with closer attention paid to the evolution of demand (itself determined by income growth, the availability and trends of mortgage lending and, finally, the housing deficit).

Table 2 – Summary of inter-scalar relations and their tensions

Inter-scalar relations	Forms of regulation	Tensions and contradictions
Global – National	<ul style="list-style-type: none"> • Adherence of real estate developers to the principles of corporate governance. • Institutional and regulatory strengthening of capital markets in Brazil. • Fiscal incentives for financial investment and the income generated. 	<ul style="list-style-type: none"> • Volatile conventions are formed in the financial market and influence the strategies adopted by developers. • Expansion of output based on shareholders and investors' optimistic expectations collides with the real market conditions.



National – Local	<ul style="list-style-type: none"> • Segregated estates (greater legal security for the buyer). • Flexibilities in the land use legislation, making large-scale projects easier. • Conventions concerning the roles to be played by the firms linked in a division of labor 	<ul style="list-style-type: none"> • Partner firms were not adapted to the speed, costs and quality of construction required by the larger developers. • Firms lack knowledge of the idiosyncrasies of the regional markets, resulting in failed or less profitable projects. • Disagreement between the companies regarding the role to be played by each one.
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Source: Created by the author

Inter-scalar contradictions also manifested in the relations between national and local scales of accumulation. Evidently the forms of intertwining between these scales are equally multiform: to provide a basic illustration, the housing finance policy, elaborated at the national scale, is translated into (territorial) strategies of lending on the part of commercial (public and private) banks. These financing decisions, taken at the highest echelons of the hierarchy of large banks, have a strong impact on the conditions of accumulation in the construction and real estate sector at the local scale to the extent in which they affect the characteristics of housing demand. Here, however, we will focus on another dimension of the national-local relations: the types of connections established between national builders and developers, focused on territorial expansion in search of new markets, and local family-owned builders.

In the first place, it is worth underscoring the economic circumstances that have made this type of association almost inevitable. As we have seen, large developers saw themselves, in the wake of public listing, forced to expand their output quickly, thus justifying the capital raised in the financial markets and preparing their portfolio for future fundraisings. In this context, in spite of the economic relevance of São Paulo, developers relied on geographical expansion to other markets to increase output. Between 2005 and 2009, large developers Cyrela, Gafisa, PDG, MRV, Rossi, among others, quickly expanded their regions of operation to include states from the South, Northeast, Midwest and



even the North (though to a lesser extent). In some more extreme cases, this opening of new frontiers of accumulation drastically reduced the relative share of the metropolitan area of São Paulo in the total output of some builders.

However, the organization of real estate activity meets decisive barriers when it comes to operating at supra-local scales. We encounter here some particular characteristics of the real estate sector that makes urban land development an stubbornly local activity. This local embeddedness derives from the very nature of property as a commodity: its fixity on land forces the firm that invests in real estate to shift production conditions to the place of end-use consumption. This shift would be a relatively straightforward logistical problem if it did not involve more subtle and intangible dimensions, related to the need to acquire knowledge of the local characteristics of the real estate market: trends in local prices, areas of greater growth potential, land use legislation and, more importantly, the web of everyday economic relations among businessmen, policymakers, engineers, politicians, workers, which defines the local opportunities of accumulation⁴³.

The need to quickly raise output in lesser-known markets made partnerships with local firms that had greater knowledge of the attributes and specific characteristics of these markets almost unavoidable. Despite the variety of contractual agreements that sealed these partnerships, the majority of them involved a division of labor in which the financialized firms were responsible for elaborating the project, marketing and financial management, while the regional firms were dedicated to the building process at the same time in which they provided their brand, more well-known in the local market, to the projects launched.

Though less visible, some forms of regulation enabled the economic coordination between these scales of accumulation. One of them is a rule known as the Segregated Estate, approved by law in 2004 (law 10.931), which protects the buyer of a unit in a condominium in the case of bankruptcy of the developer by segregating the accounting of a single project from the rest of the firm's balance sheet.⁴⁴ This rule thus prevents large developers, who regularly run a large number of construction sites spread out over the country, from transferring resources from surplus projects to those under greater financial



strain – a previously commonplace procedure that determined, to a great extent, the bankruptcy of the large construction company Encol in the 1990s. In addition to this, numerous flexibilities in the local land use legislation – the most well-known being so-called “urban operations” – were essential to guaranteeing the supply of large housing projects.

The tensions that emerged in these associations resulted, to a great extent, from the demands and requirements presented by large developers and the limited capacity that local builders had in responding appropriately to these demands. In fact, in numerous cases, the national firms, pressured by the need to increase output, established partnerships with companies that lacked the operational capacity to build housing at the scale, cost structure and quality desired by their partners. Therefore, a large part of the difficulties faced by these financialized developers has occurred in distant regional markets. The obstacles to accumulation in these markets forced many firms to break partnership contracts and, in some cases, to revise their strategies for regional diversification.

However, even when the friction between the partnering firms did not reach the point of rupture, the territorial dispersion of large real estate groups highlights other contradictions between these scales of accumulation. In the first place, it is necessary to point out the little technical and architectural variability in the projects proposed by large builders, especially in the low and middle income segments. One of the tactics used by large builders to cut costs has been to standardize projects,⁴⁵ limiting their variations to two or three basic typologies. This strategy, while efficient in reducing costs, ignores the uniqueness of the demand for property in a country characterized by a broad cultural and environmental diversity, as well as building techniques used by local companies more adapted to this variability. As such, many of these projects have not received the same acceptance in different regional markets, which is reflected in the performance of larger firms in these markets.

Secondly, even though cooperation with local firms had enabled developers to shorten the learning curve necessary to operate in regional markets, the difficulties that oppose the strategies of accumulation at a national scale are reappearing at other levels. Despite appealing to the broad strategies



of subcontracting and outsourcing to move into these new markets without considerable initial outlays, permanence in a distant market still requires shifting administrative activities related to the supervision of construction sites, to the management of building costs and contracts with providers etc. This range of fixed costs makes the decision of staying in the new market strongly dependent on the housing finance conditions, which increase the solvent demand and thus make distant markets more attractive by providing a minimum threshold of business activity. However, one small change in housing finance conditions is enough to put at risk staying in the market with a smaller aggregate demand, redirecting strategies to more consolidated markets (São Paulo and Rio de Janeiro).

Finally, in many cases, local firms began to question the agreements and routines that sustained the (inter-scalar) division of labor that united them with large developers. As reported in an interview, in some cases, the agreements formally included the possibility of local firms proposing projects that they judged suitable to local demand. In practice, however, the larger builders left little maneuvering room to local builders, subordinating them to their nationally-elaborated strategies. This left many of them dissatisfied with this kind of cooperation and, in some cases, the partnerships ended.

The brief discussion regarding these connections between the spatial scales of accumulation in the production of cities evidences, therefore, that these scalar arrangements are based on unstable and volatile forms of economic coordination between players whose strategies of accumulation are decisively different due to the geographical scale they privilege in conducting business. Numerous forms of regulation (in the broad sense) grant a certain stability to this scalar architecture, but they do not prevent, overall, the emergence of recurring breakdowns and discord between the (scalar) strategies of accumulation. As such, a reflection on the reproduction of the general conditions of accumulation, which constituted the *leitmotiv* of the regulation school, gains added strength when it takes into account the scalar dimensions of this process. It is not only about understanding how the different levels or scales of accumulation (contradictorily) overlap in a determined historical-social context, or, more narrowly, in a determined sector of the economy, but also

reflecting on the convergence of or mismatches between scales of accumulation and scales of social regulation.

Conclusion

One of the most striking features of the production of space today refers to the speed with which urban transformations occur and the extent of the marks these changes leave on the everyday life of the metropolis. However, it should be noted that the production of space, as a broader concept that grasps the spatiality of social development, encompasses various dimensions and processes. It seems relevant to suggest, in this sense, that attention to the scalar dimension of the production of space enables us to see this latter process from renewed perspectives, revealing previously undertheorized aspects of urban development. This claim gains greater validity when we observe that the profound transformations taking place in Brazilian metropolises since the beginning of the century are founded, to a great extent, on a new inter-scalar arrangement. In fact, the idea of the financialization of cities, understood as the growing influence of financial markets and large investment funds on shaping urban growth, gains greater depth when understood as a fundamentally contradictory intertwining of different scales of accumulation (though under the dominance of strategies elaborated at a global scale). As such, we avoid a unidirectional approach according to which changes move from the global to the local scale, with the intermediary scales reduced to transmission belts of forces originating in global markets. Primarily, what the (multi)scalar approach makes explicit, in the case in question, is that the dominance of the global scale of accumulation, represented by large financial investment funds, does not occur without numerous contradictions and frictions with other scales of economic activity. These other scales of accumulation (national, regional, local) are not simply passive receptors of global economic forces, but they reconfigure these forces in rarely predictable ways.

It is also worth citing two observations to conclude. In the first place, if it is true that a reflection on urban real estate activity and the scalar arrangements



and hierarchies produced by the strategies of the different players involved in this sector contribute to revealing the production of urban space today, we must not, however, reduce the production of space to capital accumulation in the real estate sector, even when the primary objective is to analyze the economic mechanisms that restructure urban land use in metropolitan areas. Though urban real estate is the most visible— and, in some cases, most important – front of the production of city space, the territorial dynamic of accumulation in other economic sectors plays a non-negligible role in producing new polarizations and centralities in the metropolitan fabric.⁴⁶ As such, this is why an investigation on the scales of accumulation in the production of space should also examine the broader economic restructuring of cities, including the emergence of new industrial and service sectors responsible for triggering forces of change in the organization of the urban socio-spatial fabric.

The second observation consists of a warning regarding the limits of the concept of scale. If the use of this concept enables us to clarify a previously rarely explored dimension of the production of space, it is necessary to insist that this latter process cannot be reduced to the production of scale. In this sense, the theoretical limits of the concept of scale should be emphasized, in order not to lead to extrapolations which, by fetishizing it, reduces its explanatory potential. Therefore, it is the subject studied and its fundamental determinations that should guide the choice of the most appropriate concepts for understanding its spatiality.

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Notes

¹ This chapter builds upon some ideas previously presented in Sanfelici (2013b).

² Bourdieu, 2004.

³ 1995.

⁴ Castro, 1995: 136.

⁵ 2006.

⁶ Vainer, 2006.

⁷ Brenner, 2000.

⁸ Idem, 2001.

⁹ Smith, 2008 [1984].

¹⁰ Idem, *ibidem*, p. 181.

¹¹ 2001.

¹² Smith, 1992.

¹³ See also Delaney; Leitner, 1995.

¹⁴ Smith, 1995: 60-1, our translation.

¹⁵ 2010.

¹⁶ Brenner, 2010; see also Swyngedouw, 2004 and Cano; Fernandes, 2005.

The paper by Cano and Fernandes correctly emphasizes, from our point of view, the ongoing importance of the national scale of state regulation, an indispensable warning given the more extreme arguments about the renewed importance of the local and global scales. We understand, however, that Cano and Fernandes do not sufficiently distinguish two arguments whose political implications are quite distinct: (1) that which claims that the loss of importance of the national scale is equivalent to the loss of importance of the state, a position in line with the neoliberal ideology of globalization; (2) that which rejects the idea of the loss of importance of the state, but recognizes that there was a scalar restructuring of state intervention, with other scalar levels gaining greater importance in the regulation of the process of accumulation.

¹⁷ Gough, 2004; Peck, 2002; Macleod; Goodwin, 1999; Collinge, 1999; Swyngedouw, 2004; Delaney; Leitner, 1997; Vainer, 2006; Cano; Fernandes, 2005; Mackinnon, 2011.

¹⁸ Brenner, 2009.

¹⁹ Brenner et al, 2008.

²⁰ Royer, 2009; Shimbo, 2010; Fix, 2011; Cardoso; Aragão, 2013.

²¹ Botelho, 2007; Volochko, 2008.

²² Fix, 2007.

²³ Private equity funds are entities specialized in purchasing a stake in firms in the initial stage of growth, generally with the objective of selling their stake a few years later in a potential stock listing.

²⁴ Shimbo, 2010; Fix, 2011; Sanfelici, 2013.

²⁵ Aglietta, 1998; Chesnais, 2002.

²⁶ Shimbo, 2010; Fix, 2011; Volochko, 2012; Rufino, 2012; Sanfelici, 2010; 2013.

²⁷ Gotham, 2006; Renard, 2008; Aalbers, 2008; Newman, 2009; Theurillat et al, 2010; Harvey, 2012; Rolnik, 2013; Halbert; Rouanet, 2014.

²⁸ Royer, 2009.

²⁹ Ball, 2003; Wood, 2004; Buzzelli; Harris, 2006. Among these basic characteristics, the limited barriers for entry stand out, to the extent in which a low capital investment enables an investor to enter this line of business.

³⁰ Halbert; Rouanet, 2014.

³¹ Botelho, 2007; Royer, 2009.

³² Harvey, 1999.

³³ Aglietta, 2004; Blackburn, 2006.

³⁴ Sanfelici, 2013a.

³⁵ Aglietta, 2000.

³⁶ Sanfelici, 2013a.

³⁷ 2008.

³⁸ Sanfelici, 2013a.

³⁹ Soederberg, 2003; Grun, 2003.

⁴⁰ Aglietta, 2004.

⁴¹ Which is not to say that it was exclusively based on a speculative delusion. Actually, the main macroeconomic variables justified a strategy of relatively rapid growth and most of the launches were absorbed. But the expectations of investors certainly had a role in leading the developers to speculative leaps that resulted in major losses.

⁴² See Sanfelici; Santos, in this book.

⁴³ Wood, 2004; Buzzelli; Harris, 2006.

⁴⁴ See Royer, 2009.

⁴⁵ Shimbo, 2010.

⁴⁶ Scott, 2011.



Strategic production of space and the "new real estate products"

Rafael Faleiros de Padua

Studying space that is produced through increasingly elaborate strategies for economic attainment is not an easy task, since the components of this process are necessarily connected to the way people use and live in the city, revealing space as a special commodity, since it is here that society materializes and reproduces. Today, the businesses related to real estate products have stood out among the set of economic activities and require a variety of conditions to be carried out. One of the difficulties that the real estate market in São Paulo presents is the scarcity of land in the most valued regions¹, the reason for which new fronts of valuation in metropolitan urban space have been created and the city center of São Paulo has been extended. This implies advancing on places in the metropolis that present the possibility of real estate growth, with the potential for building new developments. Among the promising areas are old industrial regions, which have been targeted for these new investments since they have large plots of land available and the processes of property development have not been fully realized, thus allowing for rapid space valuation. However, in order for the strategies of real estate developers to materialize, these places need profound restructuring, since they are in areas with various abandoned industrial warehouses, with run-down facades and, generally, many small houses between the warehouses that were aimed for industrial use, where an aging population still resides. Therefore, in order to constitute a wave of valuation, it is necessary, if not to produce a new place, at least to forge something favorable for an incoming population with greater purchasing power. A population that will "consume the place".

This expression very much defines change in deindustrialized regions, since they are taken as products to be "planned" for productive consumption. These places are gradually consumed and transformed into spaces for consumption. A major effort is being put forth in this sense, which also involves public resources in space production, to establish infrastructure to support its consequent intensification, since they are incorporated through urban



operations, which aim to "upgrade" these regions, degraded from an economic point of view.

This chapter reflects on the transformation promoted by the advancement of the real estate sector on these deindustrialized regions, especially analyzing the production of new residential communities, which represent a large part of the consumption of spaces available in deindustrialized areas and produce a new way of life. This transformation of places reveals the production of a new sociability, which illustrates another type of appropriation of the city by its residents, evidencing segregation as a revealing phenomenon among the components of space production and self-segregation as a consumer desire.

In this moment of the expanding real estate sector in the metropolis, we see that there are new standards of construction, revealing what one can call "new real estate products", which are the continuous refinement of the real estate product, presenting major developments with a vast range of internal details and advertising appeals. Understanding the production of new and large residential communities and the sociability they produce in these places are revealed to be fundamental for understanding the contemporary urbanization of the metropolis wrapped up in a logic that aims to turn the city into a business.

As the city becomes filled with increasingly elaborate "objects" in the real estate sector, the meaning of space for the city as a whole becomes impoverished, since it is increasingly reduced to specific functions and consequently is experienced in a fragmented way, in defined spaces and determined moments. In sum, the pace of life increases for those who consume the reality of the "new real estate products" as well as for those who passively accept the advancement of the real estate sector. In other words, for all the residents of those places, life transforms into this movement that we can define in two senses: based on the landscape itself, due to the amount of new and under construction large developments present in these places, with the accelerated change of the physical space; and, in a second stage, it is necessary to consider the actual transformation in people's lives, with a new way of appropriating the city that is being imposed on these places.



It is clear that today there is a new standard for the type of residential community as well as a new standard regarding the location of developments launched or in the process of launching. Launchings in the most central and valued areas are scarce. They are smaller developments, with one tower, with the square footage of a larger apartment. Most advertisements for real estate launches refer to vertical residential developments in deindustrialized areas (Vila Leopoldina, Santo Amaro, Mooca, Belenzinho, Ipiranga) and areas more peripheral in relation to the more valued areas, as well as cities in greater São Paulo (vertical and horizontal residences).²

For residential developments, we see launches all over the city, where there are spaces that can be developed, but we do not see the need to develop areas of valuation, though this happens where there is a greater availability of land. Another aspect of the expanding real estate sector in Greater São Paulo refers to the construction of large residential communities on the farthest peripheries, for the poorer classes, due to the generalization of credit for lower levels of income³. In the segment of commercial and corporate developments, there is a concentration in the southwestern region of the city, which overflows to the regions that are expanding in the residential segment and have good options of accessibility, such as Vila Leopoldina, in the vicinity of the Marginal do Rio Pinheiros Avenue, where they have started to build commercial buildings.

A number of discourses involve real estate production in São Paulo and they are fundamental for its development, presented as components of the reality of the city. One of them exploits the concentration of the city of São Paulo, its traffic jams, showing that living in nearby cities represents an increase in quality of life, since it is close to São Paulo, but a minimum amount of time is spent in the city, experiencing less of a rush, with more possibilities for leisure, green spaces, etc. For the communities located in the peripheral deindustrialized regions of the most valued regions of São Paulo, the discourse is also linked to quality of life, leisure and green areas, though it is offered in large gated communities, built with various facilities for leisure and services. According to the real estate agent of one of these developments, they are aimed at "whoever wants to leave São Paulo, but who cannot leave São

Paulo"⁴. The specific characteristics of the advancement of large communities in deindustrialized regions are the following: with the availability of land and with the trend towards valuation, there is a production that is established or is being established of what we can generically call the new club-communities, which create a commercial valuation of places, which are transformed into mere locations in the metropolis through this strategic production⁵. In this sense, the very effort to rename places based on more valued neighborhoods shows that they are reduced to locations to be managed⁶.

In the discourse reproduced by the real estate agents who remained on call in the sales stands of the developments, they emerge as a revitalization of these places, as if establishing these communities with these characteristics in and of themselves, led to a "renewal" of places, which still present traces of the predominance of industrial production. This shows that the completion of each community also depends on the surroundings of the place, despite the fact that developments of large gated communities reject the city and the place.

In the numerous talks by real estate agents from these regions, all of this accelerated advancement of the real estate sector emerges as "revitalization" or "reurbanization", highlighting that the communities fulfill some of the new "needs" of the current moment, which are "green areas", "leisure", "quality of life". There is an instrumentation of neighborhoods and places: the neighborhood is the landscape which, if not pleasant, is disguised by the quality of the design of the community and by the perspective of valuation and, consequently, the "beautification" of the place. This movement reveals, in the discourse for creating developments as well as in their materialization, the rejection of worker memories, which was quickly erased with the transformations of these places⁷, since the strategies involve them as if they were empty spaces.

In this effort to reject places and pursue the potential for earning, the developments aim to distinguish themselves by offering different "concepts", related to leisure, sports and a healthy life, sustainability, ecology, or even to nobility, sophistication, exclusivity.

The new residential and commercial developments are carried out on large plots of land, built with advanced techniques, which allow for greater



construction speed, completing the entire process in three years, on average, between the launching, sale and delivery. They have a large number of facilities built for leisure and services, in private as well as in common areas.

In this context, the "housing" product takes on a component that is not just housing, but also an investment. We cannot say that this is a characteristic of the current moment, but it is very much in force today, when the valuation process is directly connected to space production. The real estate investment, even for small investors, is reinforced as an alternative for major profits with guarantees, which demonstrates the development of new forms of application in real estate funds⁸. Therefore, the apartment itself, though purchased for housing, also emerges as an investment.

Among the new real estate products are those that bring housing and work together in the same development, in adjoining residential condominiums, or in the same building, with commercial buildings. This type of real estate product has been growing over the past few years in São Paulo⁹. Mixed developments are one of the new creations by the real estate market, reviving concrete ideas of old developments ("the National Project, on Paulista Avenue, inaugurated in the 1960s"¹⁰), but which gain new attributes today, presented as a place where one can experience all moments of everyday life, even work and leisure. For us, it is about an increasing metamorphosis of the resident into a user, consumer (Lefebvre, 1981), in which all moments of life are involved through the commodity in a crucial manner.

Living next to work with services at one's disposal steps away from home.

It is this desire that the real estate market intends to fulfill with its stake in mixed-use offerings. They are developments that bring together residential and office towers. Some even have stores, hotels and parking on the same property.¹¹

It is this way that the article presents the new type of real estate development, saying that it is a "desire that the real estate market intends to fulfill", which, in reality, is presented as a new product created by the real estate market in a continuous re-elaboration of its products, to institute a difference necessary to realize valuation. It is important to point out that newspaper

articles as in the *Imóveis* ("Real Estate") section, if on the one hand, tell us about the new products of the real estate market, on the other hand, they work as the trendsetters of this market. The purpose of the information contained in these reports is often to present the new trends proposed by the real estate market, as if they were a finished reality, the present, the future and a component of the metropolis. Behind these information distribution mechanisms (newspapers, journals, television, internet), there is always a commitment to the idea of economic growth as a given truth, which justifies their "side effects" (the homogenization of places, the removal of the poor, segregation) and erases the conflicts inherent in this type of space production. Research in newspapers also reveals the speed with which the trends transform and new real estate products are developed. This reveals the importance of ideas that involve projects, which are carefully elaborated to increase the speed of realizing real estate investments, in order to reduce the impact of the critical moments of their realization.¹²

In the process of the advancing real estate sector, it is clear that, on the one hand, there is the importance that space and space production have today in the scope of financial valuation. On the other hand, it is the essentially critical nature of valuation that imposes the need for the mobilization of numerous material, ideological, state elements etc., to guarantee valuation. It is necessary to transform places and cities, to continuously produce ideas, in a move guaranteed by a police State, which allows these strategies to advance on the economic frontiers in urban space.

In this move, we observe the improvement on the space taken and produced as a commodity and, consequently, the increasing fragmentation of space, imposing on places new logics for their appropriation. For the buyer of a "housing" product, in large communities, we live in a context whose meanings are somewhat given.

This whole, in part, remains open. This recalls 'something else': the purpose on one side, the 'subject' on the other, and beyond these two terms, the whole and the meaning. Every inhabitant of a pavilion, every 'subject' (individual or family) believes in finding in objects their microcosm, very 'personalized', and their happiness in it. Now, these microcosms, these 'systems' are strangely similar. The



same providers sell these properties, these objects, these pavilion models in the 'modern' Normandy or Basque style. Every subject could also be established elsewhere and would also be fine. He would live there with the same happiness, half-fictitious, half-real. The purpose - happiness - is presented the same way everywhere, that is, specified, signified, but specified in its absence: reduced to meaning. This meaning - happiness, the person - is concealed or erased, and appears only as nature or natural (a jet of water, flowers, grass, sky and sun, etc.). The same way in which work is creativity, material production and its relations are the activity that produces constructions; they are on hold at a distance. Meaning is absurd. In nature, they come together to be uniquely restored in a kind of daydream, an 'experienced' happiness and an awareness that is experienced, the illusion and the real. This daydream is a pavilion discourse, its everyday discourse, poor for others, rich for them.¹³

We observe that the social interactions imposed/proposed by this type of housing is in large part given in advance, due to internal planning and regulating and to the ideas that guide their "appropriation". Gated communities gain a new dimension, due to their size as well as the amount of internal facilities. The operation of this machine, together with the fact that the population of these communities is large, requires organization on the part of the administration of the community and, in this context, the figure of the building manager emerges, who substitutes the caretaker.

The building manager appears when housing has a broader meaning, which encompasses the place of leisure and safety, the club and the place that manifests the position of the residents in the social hierarchy, the *status*, as well as the property of these residents. In other words, to support this whole set of characteristics, the new communities depend on the operation of a variety of services, such as mail delivery, maintenance companies, security companies, cleaning workers, gardeners, etc., and, to make all of these services work, a business administration is established, in which the landlord is the representative of the set of members, the owners, who delegate responsibilities and supervise the performance of the building manager. This, in turn, resolves the necessary pending issues regarding the operation of the community. Therefore, there is a change of content in the move from the caretaker to the



building manager, and the community also increasingly becomes a business, with hierarchies, committees, graduate employees, property and extreme surveillance of the entire internal space. This new position reinforces the metamorphosis of the citizen into a user, a consumer of the "housing" product, the same way in which it reveals all the control necessary for creating this product even more.

Keeping in mind the whole machine, which on the outside, prevents the pedestrian from coming close, the issue of security has taken on an importance in considering social relations in the new communities. In the discourse of the building managers, it is clear that a large part of the efficiency of the set of facilities and of the everyday life of the residents takes places through the preservation and protection of the community in relation to public space, the street. In other words, in order to work well, the community depends on a refined security system. However, coming in closer contact with the procedures present in the communities and thinking about the issue of security in the context of urbanization in São Paulo today, we can claim that, more than being part of a type of sociability that presents the need for safety, it is an important part of the set of practices that produce a certain type of sociability. Security ends up inducing new practices of "appropriation" in the place of residency, as evidenced by all the internal surveillance in the community. The residents are accustomed to abdicating a part of their privacy, in name of absolute control over their common space, accepting with this the procedure of always being treated as a suspect. The doormen are no longer the doormen, they are guards, who are trained to suspect everyone who comes close to the community. The security systems have made everyone a suspect, including the researchers, pedestrians and even the close relatives of the residents. The street and public space in general come to be avoided, the city (as an idea, as a discourse) has become a dangerous space¹⁴. The socio-spatial inequalities expressed with the expansion of the large communities in these deindustrialized regions is also a productive force for the security sector, which is aimed at preserving the property of the classes with higher income.

On the part of the residents, this effort to preserve property is strong, considering that they abdicate their own integrity, since we live in a



fragmentation between the safe oasis within the community and the insecurity of the street and the city, blocking, in this process, those who pass by on the street, in front of the community, with armed guards, lights that turn on automatically, as if everyone were suspects. They are the necessary machines for self-segregation, which has become a *status*, the absolute separation between the gated community and the street. Security systems have become an important part of the valuation of the developments, which leads them to being increasingly improved, in search of infallibility, by establishing computerized identification systems, as is already done in the entrance of commercial and corporate buildings.

In this sense, we see that the resident has become a user of an "exclusive" product, raising the issue of the need for total safety as a priority and which has expanded to the entire city and all of society¹⁵. The fact that the appropriation of the city is linked to purchasing power, to the social class of each person becomes natural, which is something violent, since segregation itself becomes natural, which is also violent. Social relations as we understand them is the advancement of individualism, since each user (tenants and non-residents) pays their condominium bills, and can make demands according to what they pay and not according to their status as residents. They have become consumers of a "housing" product that offers them leisure, green areas, safety and, above all, the *status* of power to live in a community that offers them all of that. Residents become consumers of a variety of products involved in the "housing" product, including the products that are purely abstract ideas, an ideology, that of the quality of life being stronger than they are. Individualism goes hand in hand with the elevation of the walls of self-segregation, with the distancing between residents and the street, between private space and public space. It is the improvement of the city of individual transportation and relationships based on purchasing power, revealing a loss of a sense of neighborhood, in an environment that, theoretically, would be conducive to gatherings and to closeness between residents.

Therefore, quality of life is a product exploited in the real estate market and has become a new scarcity, indicating that the higher the purchasing power, the greater the quality of life¹⁶. Social practices carry signs of what is

good, safe, acceptable, healthy, etc., suggesting how the city should be appropriated at this time. Public space is increasingly impoverished as a space for social interactions, the sidewalk has become the mediation between the private world and the consumer world and the street, a space for cars. The street as a place for social interactions has become impoverished, and has turned into a place for passing by. The "urbanization" proposed by this expansion of the real estate sector depletes the concept of urbanization, since it reveals more of a deurbanizing process, which uses urban elements to be achieved, than an effective materialization of urban elements. The gated communities simulate the city, since within them there are a variety of places, such as "parks", "promenades", walking paths, large leisure and sports equipment, green areas, a "movie theater", a gym, in other words, a variety of elements that simulate public spaces and services characteristic of the city, but which are carried out by rejecting the city, instilling the idea that the residents will lead a large part of their lives inside the community shielded against the violent and hostile, crowded and stressful city. The process of rejecting the city is identified when social groups protect themselves from what is different, *a priori* hostile, which Paulo César da Costa Gomes points out through what he calls social confinement, when he says that

it is possible to see a trend that has been taking place in some segments of Brazilian metropolitan middle classes: living in increasingly homogeneous and isolated environments. Exclusive communities are sold as cities within the city. It is about large sets of apartment buildings or houses, in areas of real estate valuation, in general far from the old city center. [...] As such, the exclusive communities develop the image of an alternative high standard of living, where it is possible to find calm, safety, leisure and prestige.

In these communities, one aims to reproduce all the urban facilities possible. [...] The boundaries with the external world are very much delimited, and control and surveillance are the fundamental elements of its operation. The advertising messages for selling these properties greatly exploit the idea of a planned environment that will produce all the quality of life of the urban environment, with the advantage of security and social homogeneity.¹⁷



In order to improve the product, from the marketing point of view, it is necessary to consolidate the idea that where the community is not anywhere in the context of the metropolis of São Paulo, due to its location, accessibility, set of services nearby, etc. Therefore, the product of urbanization is not only the communities, it is the place itself, it is the "urbanization" that they convey. This shows the complexity of the products involved, and how space is a special production, since it involves people's lives, those who can purchase these products and also those who cannot purchase them and who live in these places. In selling the apartment product, the possibilities of space valuation are embedded. With this place, a determined type of life is also sold, integrated into what they call the "needs" of today. A quality of life is sold, green areas, a healthy lifestyle, infinite leisure, in short, the possibility for happiness is sold, built in a bubble in the middle of the "chaos" of the metropolis. In this process, a variety of abstract interventions are carried out, which materialize in the urban, thus inducing the appropriation of the city. The shield in relation to the city, the homogeneity that avoids what is different, issues evidenced by everyday life in the communities, "urbanization" based on the production of closed places becomes a desired object, which implies the consumption of immense spaces inside the city which become exclusive to those who have the compatible purchasing power. The space of segregation broadens, since new spaces are incorporated for the productive consumption of the higher income classes. The city produced for consumption for these affluent classes homogenizes large spaces of the city, rejecting the urban, the place of differences. These differences are rejected when what is not equal becomes inevitable *a priori*, when the different (generally the poorer) is identified immediately as violent; the rejection of differences becomes a preventive measure and a productive force in the economic sense.

We must make clear that the commodification of space, the production of space mediating the production of life in the city, penetrates everyday life, inducing new forms of "appropriating" space. In this process, segregation emerges in full force. Segregation, whether in its form of self-segregation, or segregation itself for those who suffer from it, thus produce a type of



"urbanization", a type of "appropriation" of the city, a type of sociability, that which confirms a rejection of the meeting of differences and separations.

We insist on the need to develop a critique of "urbanization" induced by the production of closed places, since it is a process that represents the deterioration of urban life, ideologically presenting itself as the solution to problems in a metropolis as complex as São Paulo. A fundamental issue to be revived in this type of urbanization is the separation between public space and private space, a relation in which the neighborhood, in a qualitative sense, is the medium, and is central for thinking about everyday life in the cities¹⁸. Among the strategies of real estate developers, it is evident that the neighborhood is an abstract creation. In the discourse of older residents of Vila Leopoldina, for example, we focus on the story of space, which is at the same time the creation of social relations that point towards the formation of a neighborhood and the destitution of the neighborhood by the urbanization process. In the logic of valuation, the neighborhood emerges as a privileged location in the context of the metropolis, with good accessibility, good options for consumption, such as shopping centers, or leisure, such as parks. In fact, the neighborhood has imploded, and has become an abstraction built by the real estate market, since the urbanization process has moved towards the rejection of public space, such as in the destitution of qualitative spaces in the neighborhood, places for relationships and belonging for residents, such as places for interactions, small bars, the street, etc. These spaces of traditional social interactions have been incorporated by the market in the sense of the transformation of the neighborhood into an economically productive space.

In the urban space, interventions are necessary between public space and private space. In contemporary urbanization, these interventions are subverted in order to carry out a plan and control life, promoted by a social interaction of homogeneous, closed spaces, whose intervention between the public sphere and the private sphere are the "common" spaces of communities (or the gyms, supermarkets, shopping centers, schools, etc.), which have also been strictly controlled. The separation between public space and private space reveals a deterioration of urban space, since the public space near housing, the



space for mediating between the public and the private is essential for urban life.¹⁹

Therefore, the public/private boundary, which seems to be the founding structure of the neighborhood for practice by users, is not only a separation, but constitutes a separation that unites. The public and private are not placed with their backs to one another, like two exogenous, though coexisting, elements. They are much more, always interdependent, because, in the neighborhood, one has no meaning without the other.²⁰

Therefore, the "revitalization" of the "neighborhood" promoted by the expansive movement of the real estate sector is more about deurbanization, since it radically increases the removal of urban elements, using them as facades. Urban space as commodities, instrumentalized, represents a desocialization of space, an increase in the scarcity of space, and a production of socio-spatial segregation.

The city is in the strong sense "poeticized" by the subject: he refabricates it for his own use dismantling the trends of the urban machine. He imposes on the external order of the city his law of space consumption. Consequently, the neighborhood is in the strong sense of the term, an object of consumption that the user appropriates in the privatization of public space. There, all the conditions favoring this exercise are found: knowledge of these places, daily paths, neighborhood relations (politics), relations with businesses (economy), diffused feelings of being in one's own territory (ethology); all of this indicates that accumulation and combination produce, and later organize the social and cultural device according to which urban space becomes not only an object of knowledge, but a place of knowledge.²¹

It is clear in this perspective that the concrete use of urban space requires gratuity, gratuitous consumption, in a mixture of public space with private space (privatization of public space by the citizen), which is broken when increasingly strong separations between public space and private space are imposed, which takes place by broadening strategies which transform space into productive space in the economic sense.



We have arrived at the point in which "consumption" invades all of life, in which all of the activities are intertwined in the same combinatorial way, in which the path towards gratifications has been previously outlined, hour to hour, in which "involvement" is complete, entirely acclimatized, culturalized.²²

Though consumption invades all of society, there are parts of it that are not consumed, or still, that are mobilized in order for the productive consumption of space to take place. For us, the perspective that the city has been taken by the logic of commodity has expanded in an increasingly improved way and that the general production of society has been reduced to economic reproduction. The intervention of the market in the appropriation of the city has been confirmed, which makes it gradually more segregated, determined in large part, produced and experienced by the intervention of discourses and ideas that are increasingly potent in society.

In this process, in which the various disguises of reality advance, it is necessary to understand upon which discourse foundations this expansion of the real estate sector is based and which type of social interaction is produced in this movement. The hegemonic discourses are fundamental for masking the relations that produce this reality, being part of the production process of reality as true productive forces, thus inducing a certain type of life in the city. We believe that we should consider this advancement in the real estate sector in São Paulo (especially in deindustrialized spaces) in its physical extension, occupying spaces, destroying old spatial forms and producing a new space, as well as its impact on the socio-spatial relations of these places, which preexist this advancement and gain new material and subjective components, in the scope of the concrete life of the residents.

It is necessary to point out that the current real estate products are more transitory as marketing products. The development of the "housing" product is increasingly detailed and accelerated, making relatively recent forms and discourses linked to real estate production quickly outdated. In this sense, today we experience an accelerated production of ideas involved in space production, in a movement aided by the development of technical interventions.



These new spatial productions have a specific form, the large club-communities, which are also realized through discourses that are already socially pervasive in the present, bring new elements to reflect upon, contributing to the production of a new sociability, thus transforming these places. This claim gains strength considering that the construction of new communities presents a certain magnitude, producing new rhythms, a new landscape, new habits, inducing new standards of traffic and new ways of using the city, different from the old means of appropriating space and time in the city.

However, this spatial production and new socio-spatial practices are not natural, they are located in (and are an integral part of) the movement of reproducing the metropolis in the current moment, in a process in which the economic frontiers expand in the urban space. As a foundation for the realization of new real estate products, there is not only an intensification of modern techniques in the constructive process, but also a large ideological investment. Whether through the publicity and marketing of these "new forms of living" in the metropolis, or through the various other types of media (television, newspapers, magazines, internet)²³.

Therefore, we should identify these ideological foundations of space production, since they are an important part of the production of life in the metropolis today, in the production of new ways of using urban space.

We identify three main discourse patterns: sustainability (the concern with the green, ecology); quality of life (leisure, health, well-being) and safety. These discourse patterns emerge and expand as possible solutions to the problems that plague major urban centers: in the case of sustainability, pollution in its various types, the scarcity of natural resources, the lack of green areas in the city, referring also to issues on a global level (global warming, for example); quality of life intends to respond to the stress of life in the city, where there are numerous difficulties, among them mobility, traffic jams, sedentary lifestyles, the scarcity of moments for leisure, etc.; safety, in turn, aims to account for the violence present in the cities. Contradictorily, the solution proposed is often effectively the intensification of the problem that it proposes to resolve, and the issues themselves problematic in the urban space end up becoming, through



these discourses, a productive force in the capitalist reproduction of the metropolis.

In these discourses, we analyze that which emerges repeatedly in research sources, that which is persistent as a form of representing reality, which is repeated in the devices of disseminating ideas and emerge even in the university; elements that gain an aspect of transparency in the representation of social reality.

The discourse on sustainability ends up being a part of the apartment (or community) commodity. It is included among the exclusive items of the developments, with the spectrum of the environmentally correct embedded in them.

Something that appears to be a new sustainable practice is the so-called "conscious consumption", which presumes that the individual is a consumer and not a citizen. The seals of certification for what is environmentally correct, which has also gained space for real estate products, has the measure and criterion of capitalist productivity, necessarily spatially expansionist, which imposes limitations on thinking about certification as an element that guarantees the "sustainability" of this or that development. One of the sectors that most pursues certification today is that of the construction industry²⁴, which guarantees a greater valuation of the developments.

It is evident that certification and the ideas of sustainability involved in this process strictly respect consumer logic, which in order to continue reproducing creates new standards of scarcity and "exclusivity", with their respective discourses.

The vehicles of communication represent the social affirmation of certain values of the wealthier classes - class ideologies - for readers with purchasing power in the case of newspapers and magazines, though they are received by society as a whole. These dominant ideas (among which one of the most outstanding is that of sustainability) are part of ongoing everyday life, based on high consumption, which is spread throughout society, including for those who do not have purchasing power, and are segregated. These (segregating)



discourses are reproduced by all spheres of society, given their power in terms of ideology.

The sphere of high consumption, in order to remain strong in a context of a clear environmental crisis (scarcity of resources in a consumer society), is reproduced in the current moment by introducing the foundations of "sustainability". On the other hand, it has its role as the argument for removing impoverished communities and slums, being a necessary piece in the process of segregation for realizing space valuation in São Paulo. Sustainability, which is presented as something exclusive, is expensive and imposes new barriers for using the city, being part of the framework of elements producing segregation in the advancement of economic frontiers in the metropolis. It is realized primarily as a discourse, idea, illusion; secondly, as an exclusivity, scarcity; and, finally, it is revealed as commercial valuation in space production in São Paulo. "Sustainable" takes the place of the "non-environmental", the "non-sustainable", and poverty.²⁵

It is in this ideological context that the need for "conscious consumption" emerges, which supersedes ideological superficiality and the contradiction of sustainable consumption²⁶. However, the contradiction continues, since the idea of sustainability will continue to mask the productive foundations of the consumer society, energy spender and natural resources.

The reduction of the individual to a consumer is clear, reducing his role as citizen to that of efficient consumption. In this perspective, the connection between individuals and society is their status as consumers. Even those who preach conscious consumption and point out the contradiction of the barrier of sustainability in the face of consumption, or even those who relate the idea of conscious consumption to people's achievements, also pervades an extremely ideological discourse, given that consumption takes on the central role of producing social life, which hides the productive relations of society. These well-intentioned discourses also carry a strength of unquestionable truth, in this moment in which the idea of conscious consumption and sustainability become central in reproducing productive relations.²⁷

To provide more elements to our argument, we recall that, as a general rule, in these vehicles of information, whether newspapers or magazines of



construction companies, there are advertisements for interior design stores with sustainable products, tips for environmentally correct objects, specifying the store to buy them and the prices. It is the consumer logic (of high consumption) that is "reinvented", reproduced with all this ideological effort, leaving intact the foundations of the society that produces unsustainability. The social order, in this sense, continues to be: "consume!", "buy!", but with new norms, new ingredients that make the products more attractive. Therefore, we see that the discourse of sustainability has moved to that of "conscious consumption", reducing the social role of individuals to their status as consumers. In this move, a series of imperatives guides the practice of individuals-consumers: "do this!", "buy this!", "change your values!", "be conscientious!" etc.

Associated to this discourse of sustainability we also identify that of quality of life, no less ideological than the previous one, but much more inconsistent. Quality of life in large residential communities emerges as the numerous attractions that the communities present to residents to avoid leaving the house, with leisure, a gym, a jogging path, and a "green area" together with housing. Therefore, this quality of life is a package that is bought upon buying the apartment, the promise of a "lifestyle", in which the city in its dimension of public space is rejected. In commercial buildings, there is also the issue of quality of life, in new accessories that developments begin to have, such as a massage room and a tennis court.

Other advertisements exploit, in addition to attributes of leisure that the communities have, the location, which is not presented as a nearby place, no longer refers to the surroundings, but to the consumer facilities where they are located. In this sense, the developments in the northern region of Santo Amaro (Várzea de Baixo) refer to shopping centers, entertainment venues, and will highlight their "proximity" to central areas of business, such as the region of the Engenheiro Luís Carlos Berrini Avenue. In other words, they will place the developments in the area of valuation, highlighting that the combination of luxury of the development and its location grants power to whomever lives there. With respect to public spaces, the only elements remembered are the roads and parks (green areas). Status, options of leisure within the community, luxury, environmental awareness, location, these elements of a pseudo-



concreteness in the metropolis compose the picture of "quality of life", results of an even greater fragmentation of everyday life, eluding the contradictions produced in the production process of the new place.

Associated to this movement, in which a part of the population encloses themselves in these new communities in pursuit of "quality of life", another key discourse for realizing this new way of life in the metropolis is that of safety²⁸. Violence emerges as an irrefutable factor for people to see the need to close themselves off even more from the city, segregating themselves in relation to the rest of society, in relation to that which is "different", which is part of the population of the city. This is a central issue for rejecting the public space as the norm, becoming naturalized in the social context.

The advancement of the real estate sector on places in the metropolis means the imposition of another sociability, a form of living (and of seeing) the city based on a totalitarianism, in a "Fear of Freedom" (as Erich Fromm claims). Meanwhile, to live a supposed freedom, represented by the community as a space for housing, by the facilities that it can offer in terms of location and services, one abdicates freedom, living in closed spaces for everyday life (house, work, leisure) and in cars, shielding oneself against public space and the people in it, reduced to the idea of generalized violence in the metropolis. The construction and diffusion of this way of life, in which physical separation (and not only this) is naturalized as a form of confronting violence, leads to rejecting the city, since it establishes totalitarianisms as interventions of everyday life. It is when individualism ends individuality, urbanism ends urbanity, and totalitarianism ends totality, revealing a fragmented city. It is when the form of the city presents a transparent, clear violence whose battle restricts the possibilities of a truly socialized city and society.

Erich Fromm illustrates that the safety of man is in cooperation with others²⁹. Exacerbated individualism, expressed even in spatial forms, rejects this sharing, because it is about sharing without sharing anything, carried out through separations, by rejecting the different, taken as dangerous and threatening. At the same time in which it is about an increasingly "socialized" society in the sense of the needs for accumulation, it is the establishment of a society of generalized indifference which has social constraints and produces



social relations. Therefore, "social" forms of "urban" life are spread that transform citizens into isolated individuals, who are protected, according to their financial capabilities, by a society rife with problems. There is in this movement a naturalization of totalitarian forms, through the various types of self-shielding as legitimate forms of life in the city. But not only does it legitimize the shield, it also legitimizes the violent prevention against violence. In other words, violence, here more like a discourse reality than a concrete one, legitimizes violence against the rest of society, which is not equal. According to Erich Fromm,

Modern man's feeling of isolation and powerlessness is increased still further by the character which all his human relationships have assumed. The concrete relationship of one individual to another has lost its direct and human character and has assumed a spirit of manipulation and instrumentality. In all social and personal relations, the laws of the market are the rule. It is obvious that the relationship between competitors has to be based on mutual human indifference. Otherwise, any one of them would be paralysed in the fulfilment of his economic tasks- to fight each other and not to refrain from the actual economic destruction of each other if necessary.³⁰

We add here that, in the case of the concrete processes in the city, indifference is not only in relation to the economic destruction of others, but also in the face of destroying the life conditions of others, when these processes force people out of their spaces, when they lose their homes and with them their references, neighbors, friends and places of memories. When the poor part of society is always threatened by arbitrary mobilization, being deprived of all their physical (overwork), financial and subjective (affective-emotional) investment for the continuous construction and improvement of home ownership. In other words, indifference as a condition for reproducing the city today enables the destruction of life in poor parts of society, naturalizing the violent and continuous mobilization of this population by the city, violently managed by state mechanisms.

The material destruction of parts of the city for the realization of valuation processes is also the indifferent destruction of the lives of part of the population, the poorest part, obligated to rebuild their own life conditions in the metropolis, their everyday life, on increasingly depleted foundations in the urban area. In



the processes of resistance to the overwhelming process of expanding real estate on regions of the city, when needy communities are forced out and resist removal, the contradictions of urban life and the segregating components of contemporary urbanization are out in the open. However, the concrete components of urban life are also revealed, the relentlessness of housing as a fundamental stage of human life, based on which we have arrived at other concrete needs of man: housing, the urban and the city. In the expansion of indifference, we find the pursuit of difference, though diluted in the barrage of concrete possibilities of appropriating the city. It emerges as moments of undermining the logic of contemporary urbanization, establishing conflict and evidencing other possibilities of urban production.

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Notes

¹ In interviews with real estate agents in the places studied, they cited this scarcity of land in the most valued areas of São Paulo.

² Research on advertisements for real estate launches in widely circulated newspapers in 2011.

³ See the chapter "Housing as a business and the valorization of metropolitan urban space", by Danilo Volochko in this book.

⁴ Interview with a real estate agent of a pre-launched development located in Santo Amaro carried out on 13/05/09.

⁵ When we talk about the strategies of real estate developers in deindustrialized spaces, we talk about the major developers, builders and real estate agencies that operate in São Paulo and in Brazil, and that some of them rely on foreign capital.

⁶ In Vila Leopoldina, for example, the majority of developments are said to be located in the Alto da Lapa, because Vila Leopoldina still gives off the idea that it is an industrial place and Alto da Lapa is a more valued area. Where it is assumed to be Vila Leopoldina, on the land closer to the São Paulo General Warehousing and Centers Company (CEAGESP, acronym in Portuguese), where there is still an industrial aspect, the name presented is Vila Nova Leopoldina, reinforcing the aesthetic nature of the new constructions. In Santo Amaro, the same procedure occurs there: for Várzea de Baixo, the defined developments are located in Chácara Santo Antônio or in Granja Julieta; in Jurubatuba, for the lack of more valued regions in the surrounding areas, the key characteristics are explored of the developments or even the proximity of the Golf Club, a large golf club aimed at higher income classes, located near Avenue Eusébio Steveaux.

⁷ Regarding this issue in the context of São Paulo, see the chapter "Heritage as a business", by Simone Scifoni in this book.



⁸ Sávio Augusto de Freitas Miele. 2007.

⁹ Jordana Viotto, "Cresce número de lançamentos com apartamentos e escritórios", em *Folha de São Paulo*, Caderno Imóveis, São Paulo, 11 de setembro de 2011.

¹⁰ Idem.

¹¹ Idem.

¹² Adriano Botelho (2007) shows the need for the real estate sector to continuously deal with the barriers that are put up for their work in urban space.

¹³ Henri Lefebvre, *Critique de la vie quotidienne III*, Paris, L'Arche, 1981. Translated by the author.

¹⁴ It is the discourse, more than the concrete reality, that defines the practice.

¹⁵ The idea of the need to increasingly protect oneself against the city and public space.

¹⁶ As such, the greater the exclusiveness and excellence of the product, the more the property will be valued and the more its owner will be identified according to the status that his place of residence attributes to him.

¹⁷ Paulo César da Costa Gomes, 2006, p.186.

¹⁸ Michel Certeau; Luce Girard; Pierre Mayol, 2008

¹⁹, idem

²⁰ idem

²¹, idem.

²² Jean Baudrillard, 2007, p.19.

²³ We take as a source brochures of developments, magazines of construction companies, real estate magazine advertisements, videos published on the internet, advertising catalogs by major construction companies published in widely circulated newspapers, articles on the real estate market in widely circulated newspapers, articles in magazines and newspapers.

²⁴ Ana Paula Mestieri, "Produtos certificados ou maquiagem verde?" em *Folha de São Paulo*, Caderno Especial Ambiente, São Paulo, 05 de junho de 2011.

²⁵ In these discourses, segments of the society which, due to not having resources, would concretely have an everyday life that is extremely "sustainable", since they primarily use public transportation, they build their own houses with only strictly necessary materials, little by little, occupying smaller spaces, with low consumption of wasteful objects, etc. The poor people of the city are often portrayed as polluters and destroyers of the environment for occupying margins of streams or areas of riverheads.

²⁶ Dario Caldas, "Consumo Sustentável. Contradição em termos" em *Folha de São Paulo*, Caderno Especial Ambiente, São Paulo, 05 de junho de 2011.

²⁷ In line with this, see: REVISTA ROSSI. Especial Sustentabilidade. São Paulo: Ano 5, n. 24, Abril/Maio/Junho de 2011, p.47.

²⁸ It is worth observing the logic of ideological discourses, which polarizes problems, capitalizing on the problems through the proposed solutions. Therefore, we have safety as a solution to violence; quality of life to resolve stress, a sedentary lifestyle, in sum, to fulfill the lack of a set of

elements that have been pointed out as quality of life; sustainability to contain unsustainability. Here, we should reveal the concrete unsustainability upon which these discourses are based, whose attainment deepens the problems that are proposed to be resolved, producing new contradictions on the social level.

²⁹ Erich Fromm, 1967.

³⁰ Erich Fromm, Idem, p.105-106.



Housing policy and social policies: pressing needs, rights and business

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The *Minha Casa Minha Vida* ("My House My Life") Program has been presented as one of the major achievements of the Lula and Dilma presidential administrations and has been transforming Brazilian cities in an indelible way. In the scope of this program, 3.4 million housing units have been contracted and 1.7 million have been delivered - including all ranges of income and all production modalities. The focus of this chapter is the "Entities" modality, which addresses the first income bracket of the program (attending to families with up to 1,600 Brazilian reais in monthly income). The production of this modality is contracted not by construction companies, but by popular organizations, associations, cooperatives, which compose the universe of "entities" which are fully responsible for choosing families and for the whole production process - from researching the land to handing over the keys, to project development and approvals and execution of the civil construction. As will be shown over the course of this chapter, it is about an insignificant production in quantitative terms, on the one hand, when compared to the entire production of the program. On the other hand, the presence and continuity (not to mention insistence) of this modality has a paradigmatic political dimension, supported by tradition of self-managing housing policies, involving the most representative movements of the struggle for housing and urban reform in the country¹.

1. Contextualization: housing policy as social policy

From the perspective of the moment in which the My House My Life Program and its "Entities" modality were designed in 2009, we must take into consideration the fact that a set of non-negligible processes and injunctions had led Brazil to be considered the sixth capitalist economy of the world, combining² economic growth and its oscillations with the reproduction of inequalities that



seem - according to some authors - to reduce relatively less than poverty and misery. These were times characterized by a relative stability of the job market, despite the deceleration of recent years (Leite, 2012), through the creation of formal jobs, though characterized by low salaries and an instability of the job positions. This moment thus reveals duplicities, disjunctions, complex processes that seem to be related to a transformation of the composition of the employment based on redefinitions of Brazil's place in the globalized processes of financialization since the 1990s. There has been a shift in job availability, as well as a reincorporation of large portions of the unemployed (especially those who had been removed from the market between 1994 and 2002) into the service sector, with average salaries of around one thousand reais and which comprises around 60% of the job positions of the country (Braga, 2012; Cenedic, 2013). Together with the broadening of the salary base, the period was also marked by the institution of redistributive social policies, such as the *Bolsa Família* ("Family Grant"), and by a significant increase in the minimum salary, since the beginning of the Lula administration. Accordingly, with the increase in the mass of employed workers, some authors claim a renewal of job conditions, which has been observed by the number of accidents and deaths on the job, by the turnover of the work force and the increase in outsourcing.

If it is possible to determine that over the past 20 years - and increasingly so from the last decade on - the Brazilian economy has been transforming into a place of financial valuation in the productive sphere. The processes under way seem to accentuate their international role, linking it to the exportation of primary products, which explains a strong prominence of the agribusiness³ and the important economic incentives that the sector receives. However, if there is a prominence of the agribusiness, it corresponds with some initiatives such as the National Program for Family Agricultural Development (PRONAF, acronym in Portuguese), which encourages family agriculture as a means of accommodating and managing conflicts in the field. The same appears to be taking place in the scope of the Ministry of Work and Employment, with a small Secretary of Economic Solidarity given the frequent fiscal incentives for the automobile industry, for example; or with the financial support of the National Bank of Economic and Social Development (BNDES, acronym in Portuguese)



(which, not by chance, has removed from its slogan the "S" for "social" which is part of the acronym); or even with access programs for low-income students to private higher education (University of All Program, PROUNI in Portuguese), which, at the same time, finance the networks of private universities and university centers. From our point of view, this is what happens with the My House My Life Program: housing production to scale, highly subsidized and aimed at low-income families (in a proportion which perhaps not even the most optimistic in the field of urban reform would imagine). It is a form of economic incentive for the productive chain of construction (regarding the fabrication of raw materials for the real estate industry, appliances and white goods), with important developments relative to the links between financial capital and real estate capital (large builders at the forefront), highly generalized prices of real estate and rent, producing new peripheries and intensifying socio-territorial segregation. Within this complex arrangement, the MCMV Program, in the "Entities" category, according to official data collected in this study (and in spite of its low reliability), had contracted less than 1% of all housing units of the MCMV by the end of 2013, despite the goal that it would compose 3% of all production in the program on a national level. Therefore, it is possible to point out complex connections, with striking transformations, between the agents involved in the program. The broad support by the movements for housing and urban reform for the transformations carried out in the scope of urban policy and government housing, including the formulation of the "Entities" version, has important consequences for a rearrangement of the force field in the relations and tensions between these parts. There is also support for the operation of a new diagram of relations between housing production and the struggle to appropriate the city (or its opposite, once more in the division between housing and the city, which has surpassed public housing production since the National Housing Bank - BNH). This includes porous limits between the practices of Entities and movements connected to the program, the real estate market and the construction of political commodities⁴.

Considered in the more general scope of Brazilian social policies, these processes allow us to identify a duality or a disparity that points to the fact that the growth of the Brazilian economy is aimed at driving processes of economic



growth without removing important deficits of social rights. It is remedied in a very focused and ad hoc manner, to the extent of more flagrant urgencies, which include housing. These deficits, the needs that require a more urgent resolution⁵, were developed over the course of Brazilian history in a continuous process renewal. From this perspective, the accelerated economic transformation from 1930 to 1980 was not capable of promoting a redistribution of income and wealth, which could alter the more acute characteristics and forms of inequality, especially those referring to class relations.

As stated in the classic work by Oliveira (1972, 2003), the capitalist advancement in the country took place under the aegis of regressions, which appears to be a paradox at first sight, even though it is necessary to redefine at each moment of a country's economic and socio-political history what is considered a regression and modernization. Instead of eternally attributing the matrix of inequality and the forms of Brazilian social relations to colonial and slave roots or to patrimonialism, perhaps one can point to the fact that the forms of domination that characterize the political social relations of the country used, renewed and modulated this supposed "regression", as well as the forms of domination, also as a "means of regulation". These forms of domination, their renewals and their reflections in a myriad of aspects and modulations determined the very attempts of thinking about the asymmetries, contours and arrangements of the relations of power and exploitation over the course of recent history in the country. Therefore, the specific characteristics of the Brazilian *ethos* has become a classic topic of the national essay, going from the sugar-coated version of domination in Gilberto Freyre to the definitive formulations of the "cordial man" by Sérgio Buarque de Holanda. This topic appears in classic works in Brazil and about Brazil, which point towards the coexistence and the shifting between order and disorder, between progress and regression. More recently, Francisco de Oliveira, who had previously represented the disjunctions of Brazil in the neoliberal era with the figure of the duck-billed platypus, pointed out the current manifestations of the "Brazilian way"⁶, transformed into an unwritten rule of micro and macrosocial relations.

It is within this set of issues about Brazilian political social relations, their configurations and their deviations, that the reflection and the research



regarding recent social policies are located. Are the Family Grant, PRONAF, PROUNI, My House My Life solutions for extreme poverty? Do they manage urgent needs? Do they provide a way out from inequalities? The answers should be contemplated based on a complex program of research and reflection, but it is fundamental to see that, from a cultural and political point of view, resolving needs leads to very diverse situations. They indicate perspectives for obtaining rights aimed at reducing social inequalities, expressing an improvement of the conditions of private life, without necessarily signaling a greater involvement with public and political issues. Through these incursions into the field of social policies, it has been possible to identify a new diagram of relations, in which constants and redefinitions are anchored in a field of forces and tensions between social relations and their forms of expressions, whether in the scope of politicization, or in the scope of de-politicizing the relations between poverty and the city⁷. Therefore, there is a broad set of sociocultural and political-ideological dimensions relevant to investigate, especially in peripheral regions of large cities, where low-income populations or those suffering from vulnerabilities of all kinds are interacting with a variety of new agents in the past 15 to 20 years. They include non-governmental organizations (NGOs), Social Health Organizations (SHO), foundations and associations/entities of various origins (from those linked to social movements to those of a business-like nature, to confessional entities), cultural groups, public workers from various authorities and political-party groups, establishing relations that recall social and cultural welfare practices, with professional qualifications, urban improvements, regulations and access to housing, among others. This new context has led to reconfigurations in ways of thinking about, living and understanding inequalities and poverty, perspectives of improving or relieving situations of urgency that afflict them. They go from better placement in the job market - through a variety of "training", or incursions into the universe of entrepreneurship in the economic, social or cultural scope - to the demand for rights to citizenship, undergoing a supposed integration to the city to obtain (or the promise of) housing, as well as forms of "social" placement through courses and activities. Therefore, the income obtained by the Family Grant Program, the access to home ownership through the My House My Life Program, among other actions of integration for the aforementioned poor, could they be



considered rights, could they be new representations, or provide subjects with rights? Do these rights reveal a new language of what rights are, new demands for rights by providing expectations of reducing enormous social inequalities? Or are we faced with other issues, of an economic nature - especially with respect to the booming real estate market with launches relative to the economic sector and/or a booming economy based on incorporation through consumption and credit? Or even still, is it an apparently unusual and nebulous combination of anti-cyclic economic policies and the constitution of a new kind of clientele, dimensions dissolve in one another?⁸ Would it be possible to capture, through an analysis of the My House My Life "Entities" Program, another diagram of reading and intelligibility of the many relations between movements, associations, the State, forms of operation and target populations? Their narratives, descriptions and analyses, which are based on new forms of naming and categorizing, which combine old and new instabilities and forms of poverty, as well as old and new ways of positioning them, managing them in the gap between social programs and policies, in the decrease and positioning of the actions of movements, associations and leaderships against the constitution of political subjects granted with a horizon of autonomy.

As some authors have pointed out, the countries of Latin America are presented as a kind of "laboratory" for a new generation of social policies, taken as intermediaries between social protection and the fight against poverty. These policies set the stage for a group of actors - public institutions, on their respective territorial levels, international, national and local organizations, NGOs, companies, associations and a wide variety of "intermediate" private actors. Policies and programs that have contributed to a process of gaining and emerging "rights" could be considered (as in fact they are by some authors) the continuity of the struggle for rights that has accompanied the constitution of political subjects and actors of the processes of democratization. However, faced with the economic reforms under way in the scope of the states, or even the transformations of the economy, especially with respect to the job markets, these rights are not necessarily guaranteed. In addition to the international trends and their forms of circulation (Maranhão, 2011), recent work has pointed towards the difficulty in determining a path, a history of transformation and a



trajectory of national policies (Argentina, Brazil, Chile, Mexico) as well as their time frames (Ceballos, 2012). Therefore, the need to discover, in every range of policies and programs, constants, continuities and turning points has become a "research question" that would enable one to ask about the criteria of time frames, redefinitions, deviations, and reconfigurations⁹.

Therefore, if it is possible to use social policies as an important dimension for characterizing the contemporary context, it is necessary to ask about what remains in relation to other forms of seeing and fighting needs, especially from the point of view of housing programs (Ivo, 2008). Is there a turning point in the middle of the constants and redefinitions of the scheme of inequalities and the inequalities of access to the city in particular (Rizek, 2009)? Or still, could this turning point be related to the changes in the forms of coalition that sustain and structure continuities and discontinuities in the scope of Brazilian housing policy and its formulators?¹⁰

In addition to the characterization of the turning points and their magnitude, we can follow some researchers who point out the importance of the relations between sectors and sector policies with respect to the level of interventions and their agents between the State and the so-called "civil society", that is, the operators of these policies (Rizek, 2013). This way, beyond trying to capture supposed national or sector "logics", perhaps it is necessary to pursue the mechanisms that lead to the mitigation as well as the (re)production of social inequalities in their most visible environment - urban space production, in major cities.

The conceptual classes are based, in general, on the relation between overriding and replacing social inequalities (as well as the theoretical-political conflicts they involve). However, beyond these conflicts - conceptual and political - it is necessary to understand that the social policies that define the housing programs, from the perspective of this research project, are constituted as "interventions that substitute old structures of societal regulation and their traditional and 'authoritarian' legitimacy" (Ivo, 2008: 54), which does not necessarily imply the democratization or modernization of these structures. As Brazilian history has shown, the forms of conservative modernization are familiar, frequently being replaced over the course of Brazilian Social History,



even when the possibilities of their emancipatory and publicizing reversion seem to be announced. Therefore, the dimension strongly connected to the ideas of social welfare, autonomy and formal equality, linked to the forms of modern reflection are "foundations of objectivity, not constituted only as 'myths', but integrate the field of social practices as normative 'operators' or 'regulators' and an expression of 'goals'" (Idem, p. 54). They assert themselves as horizons that define social issues as a sociological problem, a modern invention of society with all of its ambiguities. The situations of housing and urban needs and inequalities are thus configured as one of the clearest and most visible signs of contemporary modulations of Brazilian social issues¹¹. If this claim has some validity, if it gains a significant outline of this modern invention of society - well captured by Hannah Arendt - it is possible to point out that, for her, some of the main conflicts have been designed regarding poverty, regarding its configurations, beyond the outline and the paths that lead towards a sociological reflection of the adaptation and legitimation of the forms of counting, classification, calculation, management, moral government¹² and control of the "poor". The classic sociological discussion in fact subsidizes a reflection on the nature of social protections. Are they rights? Are they devices that create segmented subjects and objects (target populations)? Are they developments of the social minimums or are they nothing more than economic resources for monetization? In the case of the housing programs, as part of a complex productive chain of undeniable economic importance, are they dimensions of economic stimulation that overlap the dimension of housing as a right or over the dimension of the right to urban life and to the city? Are the recent policies for providing housing about housing as a right and a form of urban placement or do they mainly constitute developments of the production of a social housing market (cf. Shimbo, 2012) - in the case of the research reported here, supposedly mediated by popular associations and movements? Is it possible to create problems for the dimensions and results of the housing production programs in the intersection between forms of integration to the universe of home ownership (a device that deserves and needs to be questioned and pressed as such) and to the urban universe (an inescapable condition of more than 80% of the Brazilian population), as well as the reproduction and intensification of socio-spatial inequalities?¹³



Considering housing policy as part of social policies, it is worth pointing out its centrality in relation to an inconclusive controversy that spans the assembly, the narrative and the projects that granted a form and meaning to the social issue and its paradoxes, as well as its contemporary developments in Brazil. From the major questions to the conceptions of "poverty, inequalities, exclusion and social vulnerability" as forms of naming and identifying and, to this extent, as political dimensions, these "notions impose norms for perceiving the object itself, in its process of appropriation, which is inscribed as reality, establishing the practice of social subjects. Therefore, the research and statistics formulated by institutions, such as the State, are directly connected to the social world and constitute a construct that results from and constantly interferes with the practices of social actors and agents". Perhaps, from this perspective, the nominations and calculations of the housing deficit in Brazil is in fact exemplary. But "the objectification of the scientific notions and categories, when they transform only into an aggregation of information, without references to the conditions of the production of social history, end up being instituted as a technique dissociated from the concrete forms of how political dimensions and social injunctions are reproduced" (Ivo, 2008: 107). As they appear to demonstrate the weakness and uncertainty relative to the data on housing production in the MCMV Program and, specifically in its "Entities" modality, it is necessary to observe a link between the forms of identifying and assigning poverty and the historical issues that frame the relations between poverty and industrialization. This means poverty and its urban expressions since the colony, as well as the binomial that occupied a significant part of the debate in the Social Sciences in the second half of the 20th century: the contradictory connections between development and poverty¹⁴. If there had been an assimilation of poverty to informal work situations, which received a variety of names over the course of Brazilian social history, the dissociation between poverty and work seems to be established clearly based on the reversal of the expectations of integration for salaried work, for what could be identified as a salaried condition. More recently, based on this reversal, it is possible to find examples of more or less apparent formalization (Georges and Vidal, 2012) based on stimulus policies for popular entrepreneurship under the guise of professional and personal qualification, entrepreneurship in itself



(Machado da Silva, 2002) and "social entrepreneurship" ¹⁵. In these "grey zones"¹⁶ between formalization and informality, rights and business, social movement and entrepreneurship, such policies (social welfare, health, work and income, arts and culture incentive programs, as well as those relative to micro-entrepreneurship and economic solidarity, construction in voluntary teams and, more recently, the MCMV "Entities"), in general, present a side of commitment and participation, emphasizing participatory and self-managing ideas. But, in fact, they could be identified, at least on the discursive level, as "activation policies"¹⁷, as natural resources to some individualizing extent, according to the neoliberal rhetoric and horizon (Hibou, 2011 and Dardot; Laval, 2013). This way, the dimensions and meanings of poverty and the Brazilian enigma are modulated with some of the passages that lead from the indolent to the marginal mass, from this marginality to worker status, though informally. From the informal worker to the excluded and from "exclusion" (in a way turned into a "fetish") to the state of social separation, from the beneficiary of programs and policies to the capable micro-entrepreneur. But the relations between words and things, ways of speaking and designation end up being like a second enigma that is replaced and redesigned on the horizon of Social Sciences in Brazil.

In the 2000s, the polarization of social policies and the growing creation of a gap between the horizon of access to universal-type rights and of effective possibilities of social and professional placement (through policies of access to health, welfare, housing or work and income). In other words, the emergence of a potential for conflict and fighting for rights, would find developments in the establishment of housing policies and programs. In its "self-managing" ways, though residual in quantitative terms, it grants importance and weight to the entities of intervention, of a political, community, private, and religious nature, associated or not to the history of popular movements and to the struggles for housing in particular. This association seems to be one of the most interesting pillars of the considerations relative to the MCMV Program in its "Entities" modality.

2. The My House My Life Program - "Entities": research characteristics, quantities and questions



The "Entities" modality was developed in the context of the MCMV (acronym in Portuguese) Program, forcibly achieved through interactions between national housing movements and the federal government, with an institutional presence in the Participatory Councils or in constant communication between leaderships and technicians from the Ministry of the Cities and the Federal Economic Bank. The discourse regarding the placement of popular movements and entities in the Program frequently claim that they "did not have a choice" if they wanted to "participate in a party", to attend to their bases and carry out production of another nature, which is qualitatively different from conventional production.

Production of the "Entities" is located in the so-called first bracket of the Program (it attends to families with an income of up to 1,600 reais) and is submitted to practically the same rules of the production undertaken by construction companies, with some specific characteristics. Heir to the Credit Solidarity program, operating the same fund, the Social Development Fund (FDS, acronym in Portuguese), now fed with budgetary resources from the Union, this modality is different in the general context of the MCMV Program. This is because it trusts the organizing entity with the responsibility for contracting, selecting, organizing and choosing the beneficiaries - who should fall within the general rules of the Program, fulfilling the criteria of the Single Registration, in which they should necessarily be placed, or of the evaluation systems of the financing agent. The "Entities" also differ due to the possibility of establishing a preliminary contract, specific to the purchase of land and the anticipated payment of the projects. This was a "competitive advantage" given to the associations in the disputes for land in a booming market due to the MCMV Program itself, enabling owners to receive the values relative to the land as soon as the technical and financial feasibility of the enterprise is proven with the Federal Bank. With the land "in hand", a new (and long) journey begins, which involves licenses in public organizations, developing executive projects (implementation, networks of internal infrastructure, architecture, structure and foundations, installations), budgets and their approvals. They are processes that take, at least, one and a half years and can take up four years easily. Only



then does one contract the construction itself, which can be executed in the regime of direct administration - in which buying and contracting materials and services are carried out directly by the entity with the supervision of a consulting firm or technicians responsible for the constructions - or by a global enterprise - in which the entity contracts a builder to execute the construction completely. In the processes executed in administration, another specific characteristic emerges, or "competitive advantage", which takes into account the non-profit nature of the associations and the consequent non-existence of working capital: the execution of constructions occurs with the anticipation of up to two installments of resources, giving good negotiating conditions for buying and hiring by the entities.

Therefore, the "Entities" have the requirements that characterize Brazilian self-managing housing production (or the discourse on this production): this enables future beneficiaries, potentially selected and known prior to the building processes, to participate in the projects and constructions. They see the land and its surroundings, give opinions on the conception, accompany the way in which resources are employed in the execution of the constructions, appropriate the surplus that results from good buying and hiring processes and reinvest them in the improvement of the quality of housing. These processes, as rich as they are complex, can drive a wedge in the general context of MCMV.

But this is not exactly what we have been seeing as a result of this research. In this kind of competition or obstacle course, the urban dimension of these projects becomes, to the eyes of the promoting entities and the "beneficiaries", almost secondary. Practically all of the enterprises contracted in the state of São Paulo are being made possible on lands bought on the market, located in peripheral neighborhoods precariously consolidated or on the fringes of the metropolitan urban area. They reproduce, frequently in a severe manner, the poor location of the projects produced by the other modalities, in a highly precarious integration of those that Rolnik called "the semi-city". With the value of the land embedded in the value of the unit, the old logic of the cheapest land is at play, with the dimensions that make the enterprise economically viable also due to the amount of units to be produced. Lands that are smaller and better located, with access to facilities, urban services and commerce that attend, not



only to the existing demand, but accommodate the increase in the population of the neighborhood resulting from the projects built, do not fit in the program.

It is this context that also monopolizes the action of movements historically linked to the struggle for housing in the city center, which, since the end of the 1990s, promoted a series of occupations in buildings in central areas. As previously pointed out by Maia (2012), in an ethnographic study on buildings occupied in the São Paulo city center, obtaining definitive housing by families that lived in the occupations took place by returning to the periphery, to the southern and eastern regions of the city, especially Cidade Tiradentes. This continued to be the destination of families who suffered evictions and repossessions of properties in central areas. Movements such as the Tenements Forum and the Housing Movement of the city of São Paulo (MMC, acronym in Portuguese, which changed the meaning of the "C" in its acronym from "Center" to "City"), for example, are building projects in the peripheral neighborhoods of Lajeado, Guaianases and Cidade Tiradentes, after years of struggle and frustrations with the possibilities of housing production in the city center. The dimensions of the "viable" lands - viable due to the high building potential, to the amount of units to be built - has led to a practice of a "consortia" of movements and associations, a situation that Maia (2012) had already observed in the occupations that were shared by various acronyms of movements and their foundations. Entities authorized by the Ministry of Cities, often with distinct political trajectories and associations, have established partnerships, composing and constituting "demands", choosing families from their bases, such that projects could be built with the benchmark of one thousand housing units, dividing the projects into various contracts in order for them to respect the limits of 300 units in the norm that regulates the Program.

Do these practices represent a turnaround and/or a new characterization for housing movements? In other words, what are the redefinitions of these force fields that touch upon the issue of the struggles for housing, the configurations and the spatial characteristics of poverty and instability, the movements and forms of associations and their reconversions? How do we even think about the reconversion of entities that came to be constituted as "production machines" (in fact, "contracting machines") of housing units?



Therefore, the MCMV "Entities" constitutes an enormous field of consensus outside of which it is impossible to imagine a solution, another possibility of the organized achievement of housing. It is not by chance, therefore, that the actions of the Homeless Workers Movement (MTST, acronym in Portuguese) in São Paulo, which involved thousands of families in two major land occupations - Nova Palestina, in the far south, and Copa do Povo, in the surroundings of the Itaquero stadium -, result in negotiations about the MCMV¹⁸.

Authorized by the Ministry of Cities, researching lands, negotiating with owners, carrying out occupations and direct actions, negotiations with city halls, organizing, selecting and registering possible beneficiaries, carrying out studies of viability, licenses, budgets, managing the productive processes on the construction site are key events of a true *way of the cross*. This reveals a sequence of obstacles that help justify a production that is negligible and very inferior to the goals established, despite the imprecisions and low credibility of the official data, obtained from various sources. Nationally, "Entities" represents 0.25% of the resources invested and 0.83% of the housing units contracted in the MCMV Program as a whole. More than this, it is shown to be less effective than the other modalities, since only 0.36% of all the completed homes and 0.18% of the delivered homes, with all of the required legalizations in the Program, belong to this category.

In the state of São Paulo, until November of 2013, there were 39 contracts, which, after a more careful analysis that eliminated duplications represented by the "Advance Purchase" contracts and the divisions of the projects between associate entities, represent three enterprises. Of these, only one project can be considered delivered, another three have completed construction, amounting to four inhabited projects (only two in the São Paulo Metropolitan area); six constructions have been contracted; six have begun construction and seven with only the land purchased, faced with the arduous processes of licensing and developing projects and budgets.

As you can see, there has been, over the course of the current study, in the intersection between the "Entities" MCMV Program and the complex connection of social policies and programs¹⁹, a multiple set of inquiries that enables us to see that, based on major political injunctions, as well as a set of



transformations in the forms of social relations that extends to representations and ideological enclosures. Perhaps we are faced with a change of socioeconomic and socio-political level in Brazil, impossible to be explained based on the categories of development/underdevelopment, characterized by parameters that used to relate inequality and the horizon of formal salaries, especially in the secondary sector. If this question gains momentum, it would also end up requiring new lenses, new prisms, which enable the qualification of Brazilian capitalism on its financialized side, configuring class relations, the modulations of the forms of political social relations and relations of power in an unprecedented way. There would thus be a new configuration in the means of domination and construction (more or less frustrated or successful) of hegemony and consensus in which social programs and income and housing transfer policies, covered by the aura of protagonism, self-management, social enterprises, participation in "civil society", would occupy a central place. Within these rearrangements and reconfigurations, it would also not be possible to qualify the popular classes as classic protagonists of this new "level of development", thus characterized by truncations that operate between and in the structuring situations and dimensions of the classes as well as in their forms of cultural and political operation and expression. It would then be possible to ask what the relations are between these truncations, obstructions and so-called "Lulism", through their determinations, as well as through their fields of conflict and power relations, through their ambiguities and coalitions.

By pursuing an examination of the most fragile point of the MCMV Program, the "Entities" modality, some socio-political dimensions end up emerging as possible structuring issues of the research problem that has been developed in this chapter. It is about a question regarding the face of poverty in urban Brazil, about its occasional contemporary characteristics, about the impossibility of characterizing the present moment as an advance or a regression. This in fact requires that its new configuration be confronted, which ends up demanding, on the one hand, descriptive procedures that enable learning about the design and the proposition of the Program and its transformations as well as its final point in the production and reproduction of space and life in the city.



Capturing continuities and turning points is perhaps also the task that requires a theoretical effort to perceive the processes of financialization and their meanings and links with space production, their everyday developments, new divides and recompositions. They perhaps place on the horizon, next to the need to think about the present, an effort to build new categories, to renew names, apprehend deviations that finally enable the question: what city is this? How is poverty and urban inequality being reconfigured and what tensions, stresses and conflicts have been gaining density? What urban Brazil has emerged from this multiple set of processes? Which diagrams allow for a description and thinking about the new configurations that combine the city, poverty, public programs and policies, their operators, housing production programs, social movements and its mutations, in particular regarding the city of São Paulo?

3. Final considerations: between rights and business

Still without necessarily systematizing the information derived from the ethnographic study in the two projects selected, even though this constellation of information inevitably underlies it, the information and the reflection that composes this chapter allow us to point out some conclusions and problems that intersect the housing policy with social policies of Lulist Brazil.

The former is about the way in which the Program ends up being constituted in a profound de-politicization of the housing issue and, especially, of access to the city. The "construction of demand", of groups of candidates for beneficiary enterprises, takes place, above all, through private relationships - relations of kinship or friendship, resulting from personal relationships. It is rare among the groups researched to find someone with a clear path of struggle in the housing movement, with a participation time that exceeds the time to create the group for signing the contract²⁰. They are relations that we will call "association by chance". In this context, it is at least curious to observe that, even in São Paulo - host to four national movements²¹, which are based on the National Council of Cities, with the institutional capacity to interfere with the



course of policy due to their proximity to and communication with the federal government, directly responsible for the formulations and reformulations of the Program - more than half of the enterprises (12 of the 23) had been contracted by entities that do not have a connection with these four major movements. A situation can be understood through the "republican" view of access to any association (with various origins and practices in social welfare, popular education, urban improvements and land regulation), as long as they can overcome the various obstacles. However, this element offers new clues to a potential de-politicization of the housing problem and the possibilities that the Program in its "Entities" modality allows: broadening the scope of these same associations and their possible (dis)connection with the long and difficult trajectory of the urban and housing struggle in Brazilian cities in the scope of the struggles for urban reform and the "right to the city"²². These "external" associations ended up being converted to housing production (no longer in the perspective of improvements, urbanization, and land regulation) based on "business" opportunities, or a kind of niche in the market created by the Program.

Obtaining housing is considered a point of arrival in a path seen and experienced as personal, which results from the effort of staying and believing in the leaderships and groups of associations. This achievement is thus moral in nature, which rewards the persistence and "faith" that "my house will come". Building demand through entities also undergoes techniques of producing information and registration strategies that enable the income threshold of 1,600 reais per month, which, in São Paulo means a little more than two minimum regional salaries. These are the strategies that are added to the many others in a process of transforming movements, entities and associations resulting from them, in "house-producing machines", in operators of the Program and in intermediaries between the Federal Economic Bank and the real estate market agencies wherever it is still possible to find land that satisfies the demands designed in the scope of "Entities". This operation is frequently a powerful trap and all kinds of real estate "businesses" end up composing a front that fixes prices, accesses, and contacts in a context of strong land valuation in metropolitan regions. In addition to determining distant locations of facilities,



infrastructure and urban services of what could possibly be considered a "fully built city", "with its back" to this city, on the borders of the urban fabric, the real estate negotiations for which the program pushes the entities result in procedures that are in the gaps between legal and illegal, between the legal and illegal dimensions that are practiced in the real estate market.

These elements, in a force field that keeps important relations with certain social and associative management, enable one to see that housing production by the Program has a paradigmatic nature with respect to building and maintaining pacts. This same production - which finally takes place where it is possible, that is, in the worst locations -, subsidized by public funds, ends up reinforcing, when not severely aggravating, the lines of socio-spatial segregation. Poor houses for the poor, poor places for the poor, even when it was possible to see an important improvement in project quality and execution, that is, when there were important interventions by an organized social movement and by technical and political consultants - exceptional/virtuous experiences, in the terms of Oliveira (2006) -, the forms of segregation determined by the rules of the land market were shown to be sovereign. Perhaps this result is the element upon which it is necessary to reflect in the intersection of the universe of rights, housing and the city as a right, and what Lautier called "the moral government of the poor", between achievement and business, between politicization and technologies of accommodation and life management.

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Notes

¹ This chapter presents the results of an ongoing project that has been carried out over the past two years and aims to reflect upon (while remaining inconclusive with respect to the research process) a collection of data and statements. The ethnographic fieldwork is still not complete nor the systematizations and analyses of the secondary quantitative data provided by the Federal Economic Bank or by other official sources. This research is the result of a project submitted and approved in an open call by the Ministry of Cities and by CNPq and has involved professors affiliated with the Institute of Architecture and Urbanism at the University of São Paulo - São Carlos Campus (IAU, acronym in Portuguese) and with Peabiru technical consulting which has cut back on the hiring and production carried out by "Entities" in the state of São Paulo, although the systematization of secondary information necessary for measuring and reflecting on the program extends to the national level. After an initial exploratory phase of the project, which aimed to assess the set of enterprises contracted, under construction or complete, two enterprises were selected due to a series of characteristics and features of the place where they are (or will be) implemented: the urban, architectural and productive aspects of the projects; the composition/creation of "demand", the target public or beneficiaries of the housing projects; the origins and types of Entities organizations, its plans and associated networks. These results aim to feed broader reflections on the programs and social policies, since the MCMV Program, particularly in its "Entities" modality, helps to uncover the place (in the metaphorical and literal sense) of urban and social policies in Brazil in the 2000s; in the observation of the dimensions relative to the placement and (new and old) means of urban segregation, reproduced and intensified by the production cycle of peripheral housing on the borders of the Greater Metropolitan Area of São Paulo. In addition to the authors, the research team includes Andrea Quintanilha de Castro (a master's student at IAU-USP/SC and architect/urbanist for Peabiru), Rafael (a master's student at FAU-USP and architect/urbanist for Peabiru), Daniela Perre Rodrigues (an architect/urbanist for Peabiru), Marina Barrio Pereira (an architect/urbanist for Peabiru), in addition to undergraduate students Ana Teresa Carvalho (FAU-USP), Caio Jacyntho and Giovanni Bussaglia (IAU-USP/SC), who participated at different times.

² André Singer et al. *Capitalismo e Modernização periférica no Brasil do Século XXI: desigual e combinado*. CENEDIC, FFLCH, 2013, Mimeographed.

³ Cf. Leda Paulani, *Brasil Delivery*, São Paulo, Boitempo, 2008. *A inserção da economia brasileira no cenário mundial: uma reflexão sobre a situação atual à luz da história*, 2012, Mimeographed. From 2000 to 2007, these are the data from the Institute of Applied Economic Research (IPEA, acronym in Portuguese): R\$1,268 trillion for government titleholders; 310.9 billion for health; 149.9 billion for education (Janio de Freitas, in the *Folha de S. Paulo* 13/11/2008).

⁴ Regarding this notion, see Michel Misse, [Rio como um bazar, a conversão da ilegalidade em mercadoria política](http://www.necvu.ifcs.ufrj.br/images/2oriocomoumbazar.pdf), Rio de Janeiro, Insight Inteligência, 2002, v.3, n. 5, pp. 12-16. Available at: <<http://www.necvu.ifcs.ufrj.br/images/2oriocomoumbazar.pdf>>. Accessed on August 23, 2013.

⁵ The issue of the housing deficit is not simple nor can it be naturalized. It is well known that there has been an important discussion regarding this among Brazilian architects, urbanists and social scientists. It is worth recalling that the number of unoccupied properties equates to a supposed deficit, whose composition is firmly based on the lack of housing for the income bracket ranging from zero to three minimum salaries.



⁶ Francisco de Oliveira, "Jeitinho e jeito", in Piauí, October of 2012. Oliveira also points out that, within this matrix of social relations of the way/proximity/cordiality or of the antagonisms in balance or of the horror from a distance, is the lack of a solution for the issue of the social statute of work. It is considered one of the greatest marks of the modern Brazilian regression combined with and perhaps a little overridden by the forms of our modernization, constituting a complex of characteristics that can define an *ethos* transversal to social relations.

⁷In some meetings with groups formed by entities in a consortium, we met with the poorest of the poor in very clear cases of involuntary urban nomadism, frequently characterized by situations of violence, such as evictions, removals or even domestic violence, whose reports can lead to considering these situations that authors such as Agamben characterize as "naked life".

⁸ This dimension has as a backdrop the questions posed by the hypothesis of the backwards hegemony (Bello, 2012, and Oliveira, 2007, Oliveira, Braga and Rizek, 2010), since it suggests that the perspective of these rights would have been weakened by processes that would contribute to the naturalization of the inequality reproduced by the market. In this context, the increase in social integration and salary gains of the most active categories would not provide significant politicization surrounding those issues tending to maintain their interests circumscribed on the level of strict necessity.

⁹ From this perspective, it is worth mentioning, with Sanfelici (2013), which means observing "the efforts of specialists and heralds of this new model of real estate credit in presenting it as a solution to the establishment of the housing debt in Brazil", as pointed out by Luciana Royer (2008). This need to justify the liberalizing model through social goals the solution of which it is clearly not capable of leads some publications to considerable ambiguities. The publication by the Getúlio Vargas Foundation "Projects on real estate credit", for example, recognizes the concentration of the Brazilian housing deficit in the income bracket of up to 5 minimum salaries and admits the need for subsidies to eradicate this deficit. However, after praising the securitized mortgage models established in countries such as Spain, the USA and Chile, the document suggests that almost 80% of the deficit in Brazil can be eliminated through market mechanisms. Moreover, with respect to the subsidies offered to the remaining 20%, the document recommends that the country reproduce the Chilean model of conditions for the concession of subsidies. That is, the subsidy applicant should provide proof of prior savings, something like 15% of the value of the financed property [...] the document itself admitted, a few pages earlier, that the Chilean model left out precisely the poorest population that is, for obvious reasons, incapable of saving..." (Sanfelici, 2013: 107).

¹⁰From this perspective, it would be possible to question the changes and constants between the National Housing Plan - heir to the Housing Project, elaborated by groups from the Worker's Party and by intellectuals linked to urban issues - and the My House My Life Program.

¹¹From this perspective, it is worth highlighting some events in São Paulo, which allow us to present problems, on the one hand, regarding the difference between the housing deficit and demand of the MCMVP and MCMV - Entities. On the other hand, some occupations in the southeastern region of the city, especially those that were led by the Homeless Workers Movement (MTST, acronym in Portuguese) - Nova Palestina and Copa do Povo, appear to point out some dimensions that enable us to claim that social programs and policies are far from configuring a more permanent establishment of the developments of the social issue in the scope of housing and the city.

¹² Regarding this, see "Gouvernement moral des pauvres et dépolitisation des politiques publiques en Amérique latine", in Natacha Borgeaud-Garciandía, Bruno Lautier, Ricardo Peñafiel, Ania Tizziani (dir.), *Penser le politique en Amérique latine : la recréation des espaces et des formes du politique*, Paris, Karthala, pp. 19-36.

¹³ Regarding this, see a set of references such as, for example, Ivo, 2008, where it reads: "Apart from issues related to the comprehensiveness of these solutions, especially in the peripheral societies, in which the quantitative grandeur of the 'surplus' (informal sector) makes action by



the State even more urgent and, at the same time, more complex, the confrontation of these collaborations replaces, at the center of the debate, the intrinsic and contradictory relations between the protection of citizenship and the universe of work and workers. In other words, to what extent does the generalization of the 'minimums', in the minimum-income citizenship programs, for example, contribute to reducing forms of integration within the work society or contribute equally to intensify the conditions of social inequalities? (Ivo, 2008: 107); (Shimbo, 2012); (Rolnik and Nakano, 2009).

¹⁴This discussion on a macro-social level designs and redesigns poverty like a marginality, a marginal mass, surplus work, exclusion and social apartheid, among other designations over the course of Brazilian social thought. We can cite as an example the discussion on the categories of sub-employment or sub-occupation between the 1970s and 1980s.

¹⁵ And perhaps here it is necessary to observe the housing initiatives and enterprises of popular movements and associations under the sign of practices and discourses relative to the dimensions of this same social "entrepreneurship".

¹⁶ This notion is used by Telles and Cabanes, as well as by Azaïs, but is based, as everything appears to suggest, on Giorgio Agamben. *Homo Sacer – O poder Soberano e a Vida Nua*, Belo Horizonte, UFMG, 2002 e *Estado de Exceção*. São Paulo: Boitempo, 2004. Regarding this, see Vera Telles and Robert Cabanes (org.), *Nas Tramas da Cidade – trajetórias urbanas e seus territórios*, São Paulo, Humanitas, 2006.

¹⁷ From the initiatives of international organizations, such as the World Bank, the Interamerican Development Bank - IDB, it is possible to identify as activation policies those that require individual action in counterpart to the benefits achieved, against their conception as rights. This idea is based especially on Cibele Rizek; Isabel Georges, *Emergência e Reinvenção: Novas e velhas políticas sociais no Brasil*, previously mentioned.

¹⁸Cf. André Dal Bó e Cibele Rizek, *O MTST: origens e lutas*, São Paulo, 2014, mimeographed.

¹⁹It is worth mentioning, as we will see further on, that the projects and enterprises of the MCMV "Entities" Program require the inclusion of future residents in the Single Registry of assistance, necessarily configuring a low-income demand for the enterprises. Registration in the Single Registry is part of the *way of the cross*, of building the possibility of carrying out the enterprises.

²⁰ Among the entities researched, there is an exception, in which the beneficiaries had an older path, frequently participating in acts, manifestations and occupations.

²¹ The National Confederation of Resident Associations (CONAM), Center for Popular Movements (CMP), National Movement of the Struggle for Housing (MNLM) and the National Union for Popular Housing (UNMP) (acronyms in Portuguese).

²² It is interesting to observe the deviation from the great notion by Lefebvre in the scope of its appropriation by the movements that integrated the struggle for urban reform or the struggle for the right to housing in Brazil. These appropriations with different meanings from the original ended up creating the expression "right to the city" as a kind of "native category" with unique meanings over the course of the past few decades in Brazil.



Reflections on class conflicts and strategies in the Vila Sônia – Butantã Urban Operation in São Paulo

Livia Maschio Fioravanti¹

Urban operations have been the subject of many studies, in a broad range of areas of expertise. They are frequently limited to details of urban development projects or to goals that have or have not been accomplished regarding a specific urban intervention. The present article will not take the approach of scrutinizing the details of urban development projects in the Vila Sônia – Butantã Urban Operation (VSBUO), in the western region of the São Paulo metropolis.

We consider urban operations to be new strategies of capital reproduction through space, in which urban development projects serve as mechanisms for increasing value. Considering that the processes involving urban developments present all-encompassing trends of reproducing the logic of capitalist dynamics, we look for points in common and similar paths when studying them.

In this sense, Donzelot (2012: 223) emphasizes that what an urban development produces must first be understood in the process of its preparation, without determining if it has “fulfilled its promises or failed in relation to its claimed objectives”. We will analyze “the future produced by this policy and the transformation of the urban issue that it produces”.

Therefore, we do not aim to criticize that which the urban instruments propose to do in their discourse (such as, in the cases of urban operations, supposed improvements in traffic, public spaces, the housing conditions for the lower income population, etc.), but to demonstrate the contradictions and the strategies by the hegemonic and non-hegemonic agents in the production of space. While it is necessary to relate the VSBUO to other processes that reveal the central role of space in capitalist reproduction, it is also worth clarifying what this Urban Operation presents in particular, as well as which hegemonic strategies justify their elaboration.

¹ Master in Human Geography by the University of São Paulo. Chapter based on the thesis of the author, whose research was supported by the São Paulo State Research Foundation (FAPESP).



Silva (2013: 213) claims that we can understand the preparation of the VSBUO proposal based on the “context of the reproduction of new urban operations, in order to maintain a stock of potential additions in construction, with the discourse of urban development and renewal”. Sales (2005) points out that this Urban Operation started to be outlined in 2004 due to the “possible processes of valuation and socio-spatial transformations that would be generated with the establishment of the subway’s Yellow Line and the inaugurations of the Morumbi, Vila Sônia, Butantã and Pinheiros stations”. In this sense, the draft of the Urban Operation project, dated in 2006, presented the establishment of the subway’s 04 Yellow Line as the main component of the VSBUO project, which would connect the Luz station, in the city center, to the Vila Sônia station.

As leverage for new investments, the Yellow Line boosted the real estate value of the region even before the inauguration of the Butantã station in March of 2011. It is the main distinctive feature of the VSBUO project in relation to those of other urban operations also planned in the Strategic Master Plan of 2002. Silva (2013) justified the interest of the municipal public authorities in this specific operation by highlighting that the Southwest Region¹ has extended its influence and size to beyond the Pinheiros River. However, there was not a single mass rail transportation system until the inauguration of the Butantã station. To the extent in which investing is fundamental to attracting investments by agents from real estate market, we associate the development of the VSBUO to a larger process linked to the Yellow Line, which, in turn, contributes to the expansion of urban businesses beyond the Pinheiros River.

Having put into context what the VSBUO represents in general and in particular, we would like to point out that all of the studies referring to the development of the Urban Operation were suspended in November of 2011, following a decision by the Court. There was a Public Civil Lawsuit filed by the Public Prosecutor, in addition to the movements and resident organizations from the region composed primarily of groups with average to high purchasing power. The main motivation for the suspension of the Urban Operation considered by the residents and the Public Prosecutor was the absence of public participation according to the City Statute.



The VSBUO was suspended based on the articles of the Statute that guarantee the right of the population to participate especially in the formulation of the initiatives planned in the Urban Operation² and based on the history of movements – organized by a group of residents – demanding more participation and explanations for the spatial transformations planned.

Independently of the legal decisions related to the continuation or interruption of the studies on this Urban Operation, with the proposed Amendment to the Strategic Master Plan (PL 688/13), new guidelines for projects of urban development began to be included. This moment is relevant because urban operations, according to article 32 of the City Statute, should be detailed according to a specific law based on the Master Plan. This, in turn, limits areas that can fall within the scope of this instrument. With the change of municipal administration in 2013 – the end of Gilberto Kassab's (PSD, 2006-2012) term and the beginning of the Fernando Haddad (PT) administration – other interventions were outlined. In the Haddad administration, the main development project was the Arc of the Future, which includes areas neighboring the major highways in the city of São Paulo and does not reach Butantã.

Even without the legal embargo on the Urban Operation, the approval of the proposed law regarding the operation in the city council could have taken place in 2012 or even in 2011 bolstered by the inauguration of the Butantã subway station on the Yellow Line and the increase in property prices in the region.

The suspension of the Urban Operation or its suspension due to the changes in administrations does not invalidate the relevance of our study. On the contrary, the logic that has guided its development and the spatial transformations engendered by it independently of its implementation enables us to understand important processes in the production of space. In this sense, it is through a spatial portion of the Urban Operation and considering the connection between the economic, political and social that we reveal some of the contradictions in contemporary society and urbanization.

As we will explain briefly in this chapter, the overlapping of the economic and political, necessary for carrying out urban operations, generates profound



consequences on the social level, especially for the low-income population. Among them, we can cite the loss of or the drastic transformations in places for social gatherings and public places (parks and squares, for example) to seizures and removals, with the expropriation of basic living conditions.

The scope of the Vila Sônia – Butantã Urban Operation in places whose residents have different ranges of income presents the problem of identifying the processes that can explain the interests of the residents, who are so different among themselves, regarding the interventions of the Urban Operation. Together in organizations and neighborhood associations, each one representing the interests of different segments of society, they also defend views and projects of the city that are sometimes in opposition. Attending resident meetings or city hall meetings led to an awareness of the way in which socio-spatial distinctions are experienced concretely on the level of space (based on what each one can pay for access, especially for housing) and the way in which it results in distinct demands in relation to the State.

The resident organizations that have emerged in opposition to some of the projects planned by the Urban Operation – and played a crucial role in its suspension – present points of view determined by the spaces and social classes from which they originate. As Carlos points out (2011: 51), “the existence of the class society, based on the concentration of wealth, determines accesses and means of using the different space-times for living life”. According to the author, class struggles turn into struggles for space, with different possibilities and desires according to the way in which socio-spatial relations on the level of space are built.

Considering the various agents in the production of space, Lefebvre (2004: 119) claims that the “advancement and pressures from large social groups shape space in different ways”. According to the author, these groups include classes or parts of classes, as well as institutions, and “some act with and/or against others. The characteristics and ‘properties’ of urban space result from their interactions, their strategies, their successes and failures. The general structure of the urban encompasses those multiple differences, bringing them together”. In this context, a class society and their unequal accesses



enables us to understand the production of space based on socio-spatial differences.

In space, class strategies conflict with one another and reveal opposing city projects, translating into struggles for space. It is on this level that we see different accesses to the socially produced wealth. These accesses result in needs and desires that are also determined by the Urban Operation or by any demands to public authorities about places where people live and places they intend to produce. Depending on the place and the access to it, there are views of class and of unequal cities: there is concern over the price and the value of property, the maintenance of green areas and leisure spaces as well as more basic needs related to living and staying in one place.

Resulting from the unequal access of society to portions of space with different values, the conflict surrounding areas included in the Urban Operation sheds light on the contradictions in the capitalist production of space: between use and exchange; between appropriation and domination. In this sense, for Carlos (2011b: 83) it is on the level of space that one experiences “the main contradiction (revealing others) that forms the basis of the production of space: the social production of space in conflict with its private appropriation”.

From a theoretical-methodological perspective based on the production of space, we understand the Vila Sônia – Butantã Urban Operation as a project for space valuation, highlighting the different demands and movement strategies by groups of residents with different purchasing powers between them when faced with the interventions planned by the Operation. We thus present the class strategies in the fight for space.

The Vila Sônia – Butantã Urban Operation and the uses of space

The urban operations can only be carried out by connecting interests of representatives from the real estate market (with capital to invest) and from the State, with the power to affect space. However, they are not instruments for state planning in any sense. Their main objective is to allow for the value of space to increase by carrying out projects of urban development or major

spatial interventions in areas predetermined by the public municipal authorities, with state resources. The justification is that they would be earned back by means of the money paid by real estate developers to build beyond what is initially permitted by city legislation for these areas.

Considering the urban operations planned or those already built in the São Paulo metropolis, we can claim that they are a large and diverse “platform of exceptions”. They involve significant portions of the metropolises and are established as an “umbrella” of objectives, guidelines and projects (with so-called environmental, urban and social improvements) with the objective of continuing urban businesses.

In order to avoid naïve analyses about the socio-spatial processes linked to urban developments, it is crucial to emphasize that space is, according to Lefebvre (2008), instrumental and political, whose rationale and domination are controlled only by the State. In this context, we understand the Vila Sônia – Butantã Urban Operation according to Ribeiro’s (2012) notion of “space policy”. Headed by the State, they are projects of increasing value within the “scheme of urbanization businesses”. Following the ideas of Lefebvre, Ribeiro (2012: 231) characterizes the space policies as “strategies for increasing value to the extent in which they are a set of actions that redefine uses, functions and structures by steering the flow of investments to determined places in the metropolis (...)”.

The space policies take a wide range of models under the cover of urban developments, projects for increasing urban value in city centers, by implementing infrastructure or building residential developments. In this context, in which space policies produce businesses in and about the urban, Alvarez (2008: 216-222) emphasizes that the purpose of urban operations is “to guarantee the continuation of increasing value” and “to create and anticipate the possibility of increasing value in the metropolis, as a strategy of reproduction”.

This continuation of increasing value – enabled by urban operations or other kinds of space policies – is essential for capitalism at a time in which space is produced as something rare. For Carlos (2011a: 69), due to the “needs imposed by the reproduction of capital, socially produced space – turned into a commodity in the historical process – is appropriated privately, putting limitations on its own reproduction”. This shortage is thus presented as a



condition and product of the reproduction of capital, creating barriers to capitalist development. This, in turn, leads to constantly renewed strategies for creating areas more likely to be incorporated by the real estate market.

Based on the process through which space is produced as a rarity and given the specific need for capitalism to incorporate new frontiers for economic production, we see the importance of the VSBUO, and urban operations in general, as projects for increasing value.

To the extent in which reproducing urban businesses does not occur without conflicts, we begin from the perspective of space to analyze the various reactions by parts of society to the hegemonic spatial strategies. Based on the conflicts for and in space, we emphasize the movements that took place in the Elis Regina Square and the Previdência Park, in which the construction of a tunnel was planned, and in the Jardim Jaqueline slum, where the VSBUO project took on what is known as “urbanization”³. We briefly analyze a third place, in which the residents from classes with average and high purchasing powers demanded that the public authorities cancel the subway station Três Poderes and a bus terminal.

Fragmented and connected to one another, each of these places is characterized by relatively homogeneous income groups, in which the different strategies and interests of residents reveals the unequal means of space appropriation. Based on the claim by Ribeiro (2012: 28) that “examining the circumstances of the differences and how they are carried out and produced leads us to the level of space”, we will guide our analysis towards the resident organizations of these three places covered by the VSBUO.

We have found that while urban businesses are also carried out through socio-spatial differences, the movements in relation to the Urban Operation in these three places also expose and reinforce them.



The construction of the tunnel

In the first space, the interventions drew a significant amount of attention from the population since the construction of an 800-meter tunnel running underneath a park (Previdência Park) and continuing over a square (Elis Regina Square) was planned. The construction would cause environmental damage to 91.5 thousand square meters of green area and would destroy public spaces. The square is used by residents to host parties and craft fairs. Moreover, it would also lead to expropriations and an increase in the sound pollution and traffic in the region.

The controversy surrounding the project started in 2005 as a consequence of a meeting to discuss the Regional Strategic Plan by the Deputy Mayor of Butantã. Since then, resident organizations were created to facilitate the questions regarding this project and other interventions planned in the Urban Operation. Technical and legal queries were presented. Among them, we can mention the width of an avenue narrower than the one in the EIA-RIMA², the absence of Studies of the Impact on the Neighborhood in developing the VSBUE project and the absence of the mechanisms planned in the City Statute for public participation in preparing and executing the urban operations.

In these movements by residents with average and high purchasing power, there was still significant participation by professors and staff from the University City and from schools in the region, which seems to facilitate technical studies and contacts for organizing events and talks related to the Urban Operation.

Since the beginning of the movements, there has also been strong participation by staff from the University of São Paulo (mainly from the School of Architecture and Urbanism), since many professors and students also live and work in Butantã. An article by a professor who participated in some of the movements was published in 2011 to describe the conflict, “characterized by a lack of dialogue”, which the population was waging against the public authorities regarding the VSBUE (GONÇALVES, 2011).

² EIA-RIMA: Estudo de Impacto Ambiental-Relatório de Impacto ao Meio Ambiente (*Study of Environmental Impact - Report on Impact on the Environment*)

The meetings in opposition of the tunnel project gained strength in 2009 and 2010. Given the demands and doubts that emerged in relation to the project, there were various meetings in which a petition (with more than three thousand signatures) and a website were organized. There was significant emphasis in the media on the criticisms of the project, with reports in high-circulation newspapers, on television channels or interviews on radio stations. More than two years after various requests for meetings with public authorities, the resident movements demanding explanations about the project led to a promise by staff from the Municipal Secretary of Urban Development (SMDU, acronym in Portuguese) that the plan for the tunnel would be altered.

These residents also held various meetings questioning the tunnel to, ultimately, question the Urban Operation itself through a Civil Investigation (transformed into a Public Civil Action) in the Housing and Urbanism Department of the Public Prosecutor. To this end, the organization of resident groups was crucial, since they had been filing the requests with the public authorities for meetings and explanations regarding the VSBUO since 2006. They had also gathered several documents that proved to the Public Prosecutor the lack of dialogue by the SMDU with the residents in developing the Urban Operation projects.

The “urbanization” of the slum

The majority of the population in the Jardim Jaqueline slum is in the low-income bracket on the perimeter of the Urban Operation. With questions linked directly to housing, the population faced more convoluted channels of dialogue regarding the VSBUO and even less transparent information about the planned interventions than the residents from the first place considered.

While the installation of the tunnel in the first place discussed generated many debates since 2006, the so-called “urbanization” of Jardim Jaqueline, which would involve the destruction of many streets and houses, did not have the same repercussion among the residents of Butantã. Differently from the tunnel project, the residents involved in the project wanted this “urbanization”,

as long as it was carried out together, between the public authorities and the population.

The resident associations in Jardim Jaqueline found it difficult to express their direct complaints regarding the Urban Operation, asking, for example, to participate in the “urbanization” project. We have found that, while the requests to city hall from the social classes with greater purchasing power involved environmental, technical or urban concerns related specifically to the VSBUO, the groups from Jardim Jaqueline, regarding housing, were not directly related to it. In this sense, many of the discussions held by the residents of Butantã did not “reach” Jaqueline. The middle class resident movements from the Elis Regina Park and from the Previdência Park were aimed basically at the tunnel while the residents from the Jaqueline slum had other demands – such as legal protection of ownership – in addition to those linked to an urban operation that may or may not be implemented.

It is important to highlight that this place was not initially planned within the initial perimeter of the UO dated in 2002, having been incorporated into the project in 2006. As Silva (2013) points out, the perimeter of the VSBUO of 2006 incorporated green areas and slums, confirming the legal and institutional objectives of what is planned for an Urban Operation according to article 32 of the City Statute, as a highlight for “social improvements and environmental valuation”. Therefore, by increasing the perimeter, the VSBUO gained social and environmental alibis to legitimize its project of valuation.

In August 2011, technicians from SMDU claimed that 30% of the money raised with the sale of compensations paid by real estate developers would be aimed at the Social Interest Housing (and not only the minimum of 10% determined by City Statute). This alteration may have been the result of various questions presented since 2006 by the resident organizations mainly regarding the tunnel project, as well as a means of “silencing” some entities and to gain support from resident groups (even if they questioned the “urbanization” project of the slum regarding how it is presented).

Therefore, the public authorities met some of the demands of the residents: emphasizing the “urbanization” of the slums as the main goal of the project and removing the tunnel project as a main objective of the VSBUO,



shifting the focus from the environmental and technical discussions to the social ones. Given the resident movement and the broad media coverage of the criticisms of the urbanism that had been imposed until then, the social alibi emerged at this time as a strategy to allow the Urban Operation project to continue.

It is worth pointing out, in this context, that “making social investments takes place during a new point in capital reproduction”, whether with the privatization of determined services or as a general condition of the production (ALVAREZ, 2008: 112), in which the “urbanization of slums” itself constitutes a great business. We do not deny the need for improvements in the infrastructure in Jardim Jaqueline and in other places, but we highlight the contradictions that are part of this process. One portion of the residents of Jardim Jaqueline may end up forced out to other places, due to the increasing value of the entire region covered by the VSBUO, as well as the increase in infrastructure precisely in the slum.

In the urban operations already in place in São Paulo, little has been done in relation to the low-income population. According to Nobre (2011), based on data from SP Urbanism (2010), the urban operations in Downtown, Água Branca, Água Espraiada and Faria Lima earned the public coffers four billion Brazilian reals, with 95% of this amount spent on the Água Espraiada and Faria Lima urban operations. “These areas have 232 times more resources to spend than the rest of the city. Only 10% of the resources from the four Operations were earmarked for social funds, with 70% spent on road construction” (NOBRE, 2011).

Since the beginning of the preparation of the VSBUO, the residents still did not have full access to what was planned exactly for the “urbanization” of Jardim Jaqueline. They only found out about this intervention in 2011 through the Municipal Secretary of Housing, seven years after it started to be prepared and five after being incorporated into the perimeter. In addition to the criticisms of the “urbanization” project about the way it was being presented, the residents also emphasized – in the few meetings organized by the public authorities in which they had the right to speak – that they had the “right to urbanization” and that they would stay in the location.



The cancellation of the subway station

In order to further understand the way in which socio-spatial differences are translated into different demands in relation to the space that each social class produces and appropriates, we present a brief discussion on the Urban Operation, analyzing the cancellation of a bus terminal and the Três Poderes subway station on the Yellow Line in 2005.

We can simply claim that the main demand of the residents in this place, whose surroundings are basically residential, is the maintenance and preservation of what is considered “quality of life”. The movements with questions regarding the construction of the Três Poderes station began in 2003, with discussions in public hearings of the Strategic Master Plan. In this same year, residents discovered that in this region, in addition to the subway station, there would also be a bus terminal built with a capacity for 42 bus lines on a 9,750 square meter plot of land.

Residents brought together in associations sent a letter to the Subway Company questioning the building of the terminal and the station. Moreover, they organized a petition with around 600 signatures. According to Izidoro (2005), the pressure by the residents was “one of the factors that led the Geraldo Alckmin (PSDB) administration to exclude the station from the construction plan”, drafted “practically ten years ago in the Yellow Line projects”. However, according to residents of the region, the request was met mainly to deal with technical issues, since various problems were found related to the construction of the Line.

As a focal point for their movement, the resident organization met for proceedings at the Public Prosecutor’s Office and many knew the institutional channels, similarly to some residents from the Elis Regina Square and Previdência Park neighborhoods. Some were part of larger movements like the Defend São Paulo Movement (MDSP, acronym in Portuguese). In the same way that the residents who were able to get the VSBUO cancelled, they also highlighted the illegitimacy of the projects and the lack of commitment by public



authorities to monitor the interventions carried out, in addition to the absence of debate with the population. Many have knowledge of the urban norms specified for the city of São Paulo and they questioned, for example, the location of the subway station and the bus terminal in a residential area as well as technical irregularities in the construction of the Três Poderes subway station.

Specific classes and demands

The study of the processes observed in these three places exposes socio-spatial differences and the struggles for space on different levels: to defend a park or square, for land regularization or to cancel a subway station or bus terminal. It allows us to reflect on how the unequal production of urban space implies the different demands and strategies in relation to the public authorities. Based on the demands of the groups analyzed in these places, we find that the interests of residents of lesser purchasing power are different and are often opposed to those in places where there is a higher income population.

Based on this observation, we must reveal these contradictions, since the discourse of the common good (which justifies urban operations) is also used by the resident organizations, thus masking class interests. The common good of higher income residents who do not want a subway or bus terminal near their houses (for whatever reason) is not the same as that of the resident on the periphery of Butantã. The idea of the common good removes the potential contrarian from the debate and constitutes a trap by treating society like a homogeneous and harmonious whole (BURNETT, 2011). In this sense, we agree with Villaça (2005: 50) that we need to show that “social groups and classes have not only very different political and economic powers, but also different methods, different channels of access to power and mainly, different interests”.

The movements carried out by the residents of these places help reveal the contradictions of space and point out the conflict between the class strategies in and for space, to the extent in which there are opposing uses in one place. This situation is shown in the discourse of the Butantã resident who

actively participated in the movements: “Because when you say, ‘we will take down houses in Previdência’, everyone shows up! Now, when you say, ‘we will take down the Jaqueline Slum, we will run over a bunch of shacks’, unfortunately, there is not as much commotion”⁴. We observed that other residents are also aware that the demands are different and the interests are often irreconcilable.

Another emblematic example of the nature of class observed in the resident movements and organizations in Butantã occurred in a meeting organized by SMDU to discuss the interventions planned by the Urban Operation⁵. At this meeting, a resident from the Exclusively Residential Zone (ZER, acronym in Portuguese) near the University City asked the representatives from the São Paulo City Hall about the “large walls of buildings with 14 floors that would be built between their neighborhood and USP (University of São Paulo), creating large wind tunnels”. The discussion continued with topics on change in construction models, coefficient of utilization, the verticalization of a street in the neighborhood and Exclusively Residential Zones. During the debate, a resident finally asks: “But what place are you talking about? Because that place is my place ...!”. In some cases, these individual interests appear more clearly. This was the case of one resident speaking at a public hearing about the VSBUO in 2011. Her statement was the first in a meeting held after two years of the population waiting for it to be scheduled. “Actually, I came here for a very specific interest, because I live exactly in the city of Butantã. So, my question is whether this Urban Operation reaches Alvarenga Street. From what I saw on the map, it does not, but there is an urban intervention scheduled (...)”⁶.

In this context, we emphasize that the use of places to live involves not only the struggle for its preservation of space for appropriation and for living life, but also a concern with the increase or decrease in value of a determined property. The technical discourse of the resident apparently concerned with the consequences that the interventions of the VSBUO would have on “the entire city” possibly concealed a concern with a fall in the value of their property.

The discussion on the construction of a subway station helps us reveal part of these class interests and emerges as a controversy among those who



would use this transportation and the residents surrounding the station. If the subway is a more efficient – though still poor – possibility of public transportation mostly for those with lower income, for those residents with higher income, it also emerges as a means of decreasing the property value. A statement by a resident from the Raposo Tavares COHAB (Portuguese acronym for Metropolitan Company of Housing in São Paulo) is revealing regarding the construction of the Três Poderes station: “That whole part of Vila Sônia did not want the subway (...). I saw the subway project in the hand of a delegate in 1997. I suggested that there be a subway in Raposo. The people here at the COHAB would love a subway! We wanted it here, and the people there did not. I went around suggesting that I thought it could work, that it would meet the needs of a lot of people...”⁷.

The value of a determined part of urban space changes according to the space-city relation, as well as its place on the scale of increasing-decreasing value and its appropriation by a determined social class. As Harvey claims (1982: 14), based on an analysis of developed countries, but which can be extended to our study, home ownership leads “a portion of the working class to compromise their inevitable struggle to obtain value in capitalist societies”, placing it together with “the principle of private property and frequently leads it to obtain values at the expense of other portions of the working class”. All classes tend to defend property, even if some do it for speculation (with an emphasis on the exchange value) and others out of necessity (prioritizing use value). Likewise, what emerges as an element of valuation for one class, for another, it can be an element of devaluation, like a subway station or a major avenue.

The importance of property – at least in Brazil – leads to a constant struggle to keep it or, if possible, increase its value. This is because, even for determined segments of class, regardless of whether the exchange value is greater than the use value, or vice versa, private property is also a strategy for survival or security (for example, selling it in case of unemployment) in the production of capitalist space. However, we point out that one’s status as owner can also be suspended when it is an obstacle to the process of valuation,



generating expropriations in the context of the urban operations, for example, or other kinds of space policies.

The discourses produced by determined classes in the places studied concealed the conflicting strategies unique to the production of space. Rife with a wide range of alibies, they aim to mask a concern with the decrease in property values and hide the fact that in the capitalist city, “the use value of the property is a priority for some, while for others it is the exchange value” (RODRIGUES, 2009: 259). These conflicts in relation to the VSBUO, together with the pursuit of maintaining or increasing property values, revealed that even in the same groups space was prioritized for its exchange value as well as for living out life. The processes resulting from the development of the Urban Operation also affected property owners differently (defending the property as a commodity as well as for possible use and living out life through housing) and tenants (who tend to be driven out to more distant areas due to the rent increase).

The discourse in defense of property by some of these residents, representing class interests, is permeated by a technical discourse, which frequently legitimizes spatial policies. The “competent discourse” (CHAÚÍ, 1986), based on technology and on the command of information and science, becomes the neutral discourse of scientificity or of supposed knowledge, which is crucial for continuing class strategies. This discourse, at the same time in which it is used by public authorities to legitimize space policies, it is incorporated by the middle class (also linked to the State) and was crucial for suspending the VSBUO through the Public Prosecutor. As Chauí (2011: 19) claims, the competent discourse is that in which “not just anyone can say anything to anyone else anywhere and under any circumstances”. As the author points out, “the content and the form were already authorized according to the tenets of the field of one’s own competence”.

As the residents from middle- and upper-class areas pointed out, in Butantã – and especially in the surroundings of the University City – there are many people with technical knowledge and command of the State system, presenting the same competent discourse (though in this case with opposing interests) as the State agents. The competent discourse from the middle



classes was necessary, even though it was over the course of seven years of movements, to suspend the VSBUO. According to a resident who participated in the process to stop the VSBUO, a professor from USP helped the population create a simulation of the environmental and urban impacts of the Urban Operation. “(...) The community was arming itself. In Butantã, there are many people from the field of Architecture, who understand the impacts, and these people started joining us and giving us a perspective of what would happen in Butantã, if an operation like the one being planned became a reality”⁸.

The residents who challenged the construction of the tunnel or the subway station and bus terminal appealed to the Defend São Paulo Movement to solve these issues. We cannot forget, however, that the MDSP represents class interests. If they played an important role in the legal proceedings of the resident movements who asked the SMDU for public participation in developing the VSBUO projects, they are unlikely to work together with the resident organizations from Jardim Jaqueline.

The MDSP helps different neighborhood movements or associations, but this is one-off support and restricted to cases in which the demands are in accordance with theirs. In this context, Burnnet (2011: 71) points out that “potential worker allies”, movements such as the MDSP can, however, “express themselves as forces against the regularization of popular areas, since the laws of the real estate market threaten decreasing values in neighborhoods that are socially heterogeneous”. Defend São Paulo represents a class interest by claiming, based on an environmental discourse, that the Exclusively Residential Zones are a “heritage of the entire city”, in which they should not build things like subway stations. According to the Master Plan of 2002, in this type of zoning it was not possible to build Social Interest Housing. We may ask ourselves, then, for whom the “exclusively residential zones” are.

The “untouchable” nature of the ZERs – which occupy, according to Villaça (2005), 5.22% of the urban area of the city and are home to “residents with incredible political power” – is evidenced by the perimeter of the VSBUO project, from which they were excluded. Moreover, the proximity to the ZERs was one of the arguments used by the residents against the tunnel project. In this sense, building a subway station or implementing an Urban Operation in the



areas near the Residential Zones means having to live with elements that the residents of these areas aim to avoid, such as noise caused by a higher flow of cars, shadows due to the increase in verticalization and traffic.

These supposed nuisances, while they affect the middle class and higher income residents, can also be inconvenient for poorer residents, many of whom live on the periphery. However, they have other demands and needs: more important than being concerned with shadows, noise or traffic is having a job, food, and school for the children. This way, if noise from a bus means an impediment to what is considered peace and “quality of life” for residents in a ZER, for residents on the periphery (even though they can also be bothered by noise), it means the possibility of public transportation to their door. This is perhaps one of those elements that can be considered “quality of life”.

As such, the struggle for space in Jardim Jaqueline is not the same struggle for space for residents of ZERs or those with higher purchasing power. In the former, the residents struggle mainly for the use value of the place they occupy, in pursuit of land regularization as a guarantee (though not an absolute one) against possible removal. In the latter, the owners are concerned particularly with exchange value and with possible changes in the surrounding area, which can lead to a decrease in value of the property (such as the increase in noise from cars, construction of large buildings, and bus traffic).

In this sense, the spatial differences studied in this research based on the VSBUO resulted in opposing demands. The demand from residents of Jardim Jaqueline for the adequate provision of basic services such as electricity, water and sewage is completely different from what some of the residents considered to be problems in Butantã, such as helicopters flying during restricted hours or the Yellow Line of the subway still under construction.

Though a caveat is in order considering that, in some meetings, middle-class residents called attention to the fact that it was necessary “to take the discussion to Jaqueline”, these concerns did not break class barriers. In relation to the class strategies in relation to the VSBUO, Silva (2013: 386) emphasizes that:



(...) In the first place, these “difficulties” in the movements also seemed to affect the “middle-class” residents, and not only those from the “lower classes”, who took action and began the movement, especially at the most “critical” moments, when, for example, the tunnel-avenue came up as a real threat to the situation of those residents and the neighborhoods affected. In the second place, it seemed that the simple speed of everyday life drove away those residents from different places and prevented these meetings, which took place among “the peers” of the neighborhoods and locations, or even among “equals”.

The choice of locations for the meetings held to discuss the VSBUO also reveals a class choice. On the one hand, the meetings held at the Butantã Center of Unified Education (CEU, acronym in Portuguese), due to its closeness and the possibility of arriving on foot, had the greatest participation of residents from Jardim Jaqueline. On the other hand, some meetings held at the School of Architecture and Urbanism at USP were empty and the majority of its audience were students from the college itself. In one meeting, higher-income residents even proposed that the hearing with the Public Prosecutor about the suspension of the VSBUO be held at “University City, since there was nowhere to park at the Butantã CEU”.

Unequal means of appropriating urban space has led to different demands in relation to the place occupied by each social class or class group analyzed, making confrontations with public authorities less difficult for those who have easier access to information and, using the term by Chauí (2011), to “competent discourse”.

In the resident organizations analyzed in the places affected by the UO project, we found that middle-class residents and those with greater purchasing power had better access to movement strategies and obtained more information, as in the case of Elis Regina Square or Previdência Park. The different accesses to information and technology, the command of competent discourse, as well as the ability to implement strategies capable of questioning the UO, are some of the ways in which factors contribute to socio-spatial differences.



The relative difficulty of Jaqueline residents to get information, or to challenge the “urbanization” project planned by the VSBUO, is one of the points that reinforces these differences. As such, without this difficulty, the residents would at least be able to ask questions about certain aspects of the reality. This fact was very clear when the SMDU refused numerous times to provide the presentations from public hearings, the documents for debate in the few meetings scheduled, or even the first and second version of the EIA-RIMA.

This information, when distributed and permeated with alibis and spatial discourses, generally circulates among the same groups of people, increasing the capacity to question and protest for those who already have access to other possibilities (access to housing, education, services, contacts in associations or in the media, etc.). The information, which is of a technical nature, is also used to control space and spatial strategies, representing an instrument of class domination and control. The State and agents from the real estate market only publish part of the information regarding spatial deceptiveness.

On the one hand, information – structured for social intimidation, as Chauí claims, and a result of what has already been established and confirmed – and technology are instruments of domination over space. On the other hand, they are also important instruments during the conflict, though institutional, for another space, to the extent in which they can provide greater access to choices and greater visibility to the needs and desires of part of the population.

The middle-class residents – using technology, information and competent discourse - collaborated towards the suspension of the VSBUO, based precisely on that which Lefebvre (1970) called the “myth of participation”, in which the population participates only in order to legitimize what has already been decided with respect to the urban business. In most of the meetings, the competent discourse was provided by the SMDU representatives, with the acknowledged competence to talk and decide, with the “socially incompetent” on the other side, segregated also when it was time to speak. Clearly, we are not reducing the production of a less unequal urban space, among the previously established mechanisms of participation, to speaking up or to voting.

The Urban Operations continue

The design of the Urban Operation exposed class differences and the ways in which contradictions intrinsic to the production of capitalist urban space appears in reality. They reveal space as a condition, means and product in the reproduction and accumulation of capital as well as in life and in appropriation.

Based on each place studied and the resident organizations from those places, we were able to analyze the components of the production of space. From this perspective, the conflicts resulting from different interventions planned in the VSBUO project have shown that the struggle to appropriate space (which involves primarily the struggle to obtain and keep a home, a basic condition for survival and for living life) and the struggle to dominate space (meeting the needs of the hegemonic logic and reproducing space for capitalist accumulation). As a consequence of this conflict of interests between the agents of the production of space, the interventions planned in the minutes of the law for the Butantã – Vila Sônia Urban Operation were changed several times since the beginning of its development in 2004.

In a class society, the accesses different groups of residents have to resources for movements against the urban interventions planned by the Urban Operation, as well as the needs and desires in relation to the space they produce, are determined by an unequal access to the wealth produced and the consequent unequal access to private property. This access to property determines other accesses and the means to appropriate urban space.

On the one hand, the relationship between the wealthier classes and municipal public authorities, and their more privileged access to that which has been previously established (information, laws, norms) were fundamental for defending their interests and for suspending the Urban Operation through the Public Prosecutor. The strategies of these groups (with access to technology, information, competent discourse, the State structure, to the media...) were fundamental for defending their interests.

On the other hand, the strategies for implementing the social function of property has been more difficult for the residents of Jardim Jaqueline. In

addition to not having the same ease of access to some of the strategies of middle-class residents, the social function of property does not matter to the capitalist hegemonic logic, which is based on private property. These residents are not as close to public authorities and economic powers as are the middle- and upper-class residents from the places studied in the VSBUO.

Class strategies are intrinsically segregating by keeping apart those who do not have access to property, thus legitimizing it. Therefore, the movement strategies for space in the different income classes studied based on the Urban Operation (with different interests and possibilities) cannot be the same.

Given the conflicts over the production of urban space, Lefebvre (1973:90) claims that the strategy “always results from a string of accesses and very specific needs; the confrontations between diverse and unequal forces”. The author highlights, in this conflict, the “role of goals, interests, desires and representations” of the various agents. In this sense, through the VSBUO it was possible to clarify that the Butantã residents’ strategies varied according to the social class that they belong to and the space that they produce.

With the aim of reproducing capital, spatial strategies are constantly renewed and revised, giving different styles to the projects of valuation (urban operations, Arc of the Future, urban developments, in addition to building infrastructure for infamous mega-events...) and legitimizing them through spatial discourses. These discourses conceal the conflicts specific to a production of urban space founded on the contradiction between use and exchange and enable the execution of class strategies that lead to socio-spatial differences and segregation. Creating new requirements for urban businesses to continue is crucial for capitalism at a time in which the reproduction of capital implies the reproduction of space. This way, the processes that originated the Urban Operation are always being replaced.

The VSBUO project had various interruptions until there was a breaking point, when it was shut down at the end of 2011. This break was on the formal level (given the impossibility of putting the urban operation into effect as a bill), but not regarding the possibility of making investments. Though there were interruptions due to the different political situations or pressures from residents to cancel it and from representatives of the real estate sector to pass it, the



continued increase in value in Butantã persisted as well as the reproduction of capital through space.

Based on our observations in meetings and on interviews carried out, we can claim that the nature and perspective of class during the movements questioning the Urban Operation were not shaken and a belief in planning was upheld. For the most part, the resident organizations were predominantly reactions to space policies or demands to the State, without questioning the contradictions established in the private appropriation of socially produced space. The resident movement against some of the interventions planned by the VSBUE was created largely in defense of the common good and for environmental preservation, partly in line with the same spatial discourse used by the real estate market and by the State.

However, the execution of capitalist strategies does not occur without conflict, which creates impasses and barriers to their implementation. On the level of space, while we understood the interventions of Urban Operations or other urban developments, we also revealed transgressions and resistances. If, on the one hand, the reproduction of space is replaced, leading to differences and renewing the types of space policies, on the other, there are breaking points, which are not incorporated and resist (or, try to resist) hegemonic strategies. These resistances create interruptions and obstacles to capitalist accumulation.

Though the movements observed in all the places analyzed were permeated by a belief in planning and in a participatory democracy, as pointed out by Silva (2013), we cannot deny the importance of the movement carried out by the residents, especially the middle class, in suspending an urban operation in the São Paulo metropolis. Moreover, as we have observed in the resident organizations, some specific demands about the Urban Operation resulted in broader questions about the way in which the São Paulo metropolis is perceived by planners and experienced by its inhabitants. At times and in some discussions, it was the use of the city (despite being rife with contradictions) that was being called into question and claimed.

Without breaking from the hegemonic logic of the production of capitalist space, the questions by the residents are still positive. Some discovered, in



practice, the reason for their resistance, reacting to not only the space policies, but also claiming and suggesting another possible project for the city. If, in everyday life, perspectives on class in some movements (having a subway or not, preserving a square, struggling for legal protection of ownership) and different conceptions about the city and its future manifest themselves, then, it is also based on everyday life that spatial transformation will inevitably be marked by contradictions and conflicts.

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Notes

¹ Significant region for property value increases and for making financial capital in the São Paulo metropolis created based on the development of the central region from the city center to the Paulista Avenue and to the region of the Faria Lima, Berrini Avenues and Pinheiros Highway.

² According to chapter I, article 2, paragraph II in the Statute (Federal Law nº 10.257, of July 10 of 2001), the democratic administration of the city involves the “participation of the population and of representative associations from various segments of the community in formulating, executing and following up on plans, programs and projects of urban development”. In article 45 of chapter IV, the Statute guarantees that “the managing organizations of metropolitan regions



and urban agglomerations will include the obligatory and significant participation of the population and of representative associations from various segments of the community, in order to guarantee the direct control of their activities and the full exercise of citizenship”.

³ The term “urbanization” is used by public authorities to designate improvements in the infrastructure of a slum, such as asphalt, lighting, etc. When we use the term “urbanization” (in quotes) we refer to this process.

⁴ A statement by a resident in a meeting with the Butantã Network on October 16, 2012.

⁵ Meeting on the use and occupation of land, held on October 22, 2011.

⁶ A statement by a resident in a public hearing about the VSBUO, held on August 28, 2011.

⁷ Interview with a resident from the Raposo Tavares COHAB, held on June 18, 2011.

⁸ A statement in a meeting with the Butantã Network, on September 29, 2012.



Heritage as a business

Simone Scifoni

Something relatively new has been happening in cultural heritage policies in Brazil since the beginning of this century, though there have been few academic debates on this topic. On the one hand, specialized literature on heritage sites has still not demonstrated interest in addressing this recent problem. On the other, the production of a critical urban interpretation, though not specifically born in the area of heritage, has produced generalizing conclusions, which, in dealing with only one determined side of the issue, do not correspond to the reality in Brazilian cities.

This issue has been addressed in a previous article¹ and is about the claim, for Brazilian urban reality, of the instrumentalization of heritage in the current urban management, related to the new centrality of culture in contemporary society. The previous paper aimed to show the "other side of culture" in urban management, posing problems in a discussion that, in Brazil, has been deeply influenced by conclusions that the European academic debate has produced regarding a reality that is not ours.

As such, the European model for restoring heritage includes installing entertainment facilities connected to erudite culture, in other words, a model that uses a determined sector of culture as an instrument to promote the city. Although this model has been reproduced in Brazilian cities, the intention of that article was to show that it does not explain the current situation of heritage nor does it enable us to conclude or generalize the centrality of culture in urban management in a way that the Europeans have. We aim to show that even though this model was individually utilized, it does not reflect or explain the general picture of what heritage and culture represent on the urban political agenda, given that there are profound contradictions derived from an unequal nature of heritage in Brazil.

This way, our proposal of the debate on "heritage as a business", the object of this chapter, will not take this path. We propose here an interpretation of aspects that have yet to be sufficiently analyzed regarding heritage sites in



Brazil. In other words, we aim to understand the way in which it has been **adapted** with the objective of eliminating a barrier to the production of the city as a business. Said another way, we aim to analyze the conditions under which the State produces public policies aimed at **adapting heritage** according to the needs of the reproduction of the city as a business.² To this end, we assume the theoretical foundation of critical urban geography, with a Marxist-Lefebvrian foundation, in order to contribute a geographical interpretation of heritage, but which is not aligned with production that is currently carried out by cultural geography.

We are considering cultural heritage in the perspective of the urban space production process, reflecting on how the public policies of preservation are also spatial policies. In this sense, adapting heritage will be considered a necessity and condition of a determined moment of the process of spatial valuation in the metropolis.

For this discussion, we will analyze three case studies in the São Paulo metropolis, which will enable us to understand and question issues towards a theoretical and explanatory perspective. Two of these case studies correspond to protected heritage sites located in the context of the process of spatial valuation linked to the area of the Faria Lima Urban Operation, thus within the centrality of businesses in the São Paulo metropolis. It is the case of the Sítio Itaim and the Parque do Povo, protected heritage sites of completely different kinds due to the cultural senses and meanings attributed to them. The third case study involves a heritage site located on one of the peripheral metropolitan fringes, the Perus-Pirapora Railroad, located between the popular neighborhood of Perus, in the capital, and the municipality of Cajamar.

1. What does *adapting heritage* consist of?

Within the scope of the public policies on heritage carried out in the state of São Paulo, especially from the 2000s forward, recurring cases of approvals of interventions have been observed for preserved properties that are increasingly alien to the idea of what is understood as protecting the memory



that they represent. The meaning of these approvals can be understood when we analyze how these properties are placed in the production process of urban space in the São Paulo metropolis.

In some cases, these approvals were made possible by completely altering the legal *corpus* that sustains preservation, such as changing the terms of a resolution of preservation, for example. In other situations, the alterations are made on the spot, similarly to surgical interventions, affecting certain items of legislation, which ends up transforming what should be a set of regulatory guidelines into a true patchwork, lacking internal coherence. Other times, they are presented as more subtly implemented strategies, since no changes are imposed. On the contrary, the intervention approvals are given while ignoring indispensable requirements, which, in legal language, means breaking the law.

These different political strategies are part of what we call here **adapting heritage**, the current state of public policies on preservation. As such, it comprises a set of mechanisms in the State and through it, with the objective of facilitating the approval of private enterprises and large public projects, which, through institutional practices supported by *expertise* in the field of heritage or by the legal *corpus*, would not have been previously possible. This adaptation allows one to produce a legality where this possibility did not previously exist and, with this, guarantee the realization of value and the maximum profit in the real estate production from the moment in which it eliminates a barrier or obstacle: the heritage.

Initially, it is necessary to examine what is meant by the idea that heritage is an obstacle. It is necessary for us to understand that heritage is not, *a priori*, a barrier, as if it were a natural condition, since "preservation prevents new interventions", as common sense frequently dictates. That is not what this is about. Preservation contemplates new uses and possibilities of establishing projects and alterations on protected properties, provided that it is guided by criteria and parameters that aim to protect the cultural meaning of the properties, something that frequently happens in cities.

However, heritage can **become** a barrier and this happens under certain conditions. The first one to be examined in this chapter takes place when its preservation prevents the establishment of businesses coupled with the



conception of a specific project aimed at the maximum realization of value and profit in real estate production. In this case, one may ask if this could not be resolved by altering or adapting the project to the conditions of preservation. In theory, this would be the way to go, but experience has shown us that in practice, when specific situations of protection prevent the realization of maximum profit in real estate production, the solution given by public policies has been that of adapting heritage.

However, the heritage site has become an obstacle, when its use and social appropriation do not fit in with the hegemonic logic that produces the homogeneous urban space as a condition of its valuation. In this case, especially, there is a use connected to working classes, whether as housing, work or forms of collective leisure, which constitutes a barrier to valuation and, when this happens, heritage can be understood as residue, according to Lefebvre³. Therefore, its use is what constitutes cultural heritage as residual within the process of urban space production.

Residue is, for the author, that which avoids repetition, schedules, the imposition of rationality and the logic of commodity, and which is considered persistent. The use of heritage that makes it residual in the metropolis struggles against the imposition of producing a homogeneous space, that is, the struggle against the postulate of uniformity. For logic that is cohesive and coherent, residue is intolerable, being necessary to imprison it and transform it into a uniform model, as Nasser and Fumagalli write⁴. For the authors, the residue struggles against the attempt to reduce everything to the same thing, a difference that is born resisting against the identical:

Those differences that do not succumb to the oppression of equivalence are thus "*residues*": that which could not be captured, imprisoned in models. They are the new that emerges from the dialectic movement of including and excluding components that briefly possess or do not possess that which is different.⁵

As such, residue is an obstacle to the process that aims to homogenize space and this residual status makes popular use of heritage, in areas submitted to spatial valuation, a barrier that needs to be overcome.



The perspective of understanding heritage in the context of the process of urban space production, whether as an obstacle or as a residue that counters the homogeneous, enables us to establish what we call here the **adaptation of heritage** as a public policy of culture that also becomes a spatial policy, to the extent in which it aims to overcome the limitation of that which is presented as a barrier to the production of the city as a business.

But, how does this happen? That is the question that must be explained here.

Adaptation implies overcoming the obstacle of the legal *corpus* that protects heritage, making it flexible. This means producing a legality, which takes place by concretely altering the norm that regulates protected properties, that is, Preservation Resolutions. Experience has shown that these alterations can occur in two ways: either partially, by modifying certain articles, or completely, by means of issuing a new resolution. But there is still the production of the legality, which takes place without altering the norm, that is, through decisions of approval that ignore the legal foundation, transforming something illegal into something legal. The explanation of the following cases will concretely show how this is done.

Motivated solely by the need to achieve determined economic interests, this production of legality thus becomes a device within the State, within public policies. Lefebvre⁶ called this **political production** through State action. The author explains that political practice and experience in the modern world allow for the concept of production to be broadened, extending it beyond the production of things, objects and commodities. Political production is that which is connected to or derives from the State, or when the latter guides the former. Also according to the author, at this time, political production involves the paradox expressed in the fact that the greater the weight and involvement of the economic aspect, the less it appears to be an explanation for this fact, since it is disguised under the apparent autonomy of political institutions.

The production of legality takes place, in practice, from the moment in which the State perceives that it is possible to take advantage of the institutional structure of heritage organizations, that is, that which makes them unique.

Heritage Councils are collegiate bodies, formed by a variety of representatives from other institutions, who hold the power of approval and deliberation.

Contradictorily, the collegiate bodies are formed by representatives of public authority and civil society, and are, in theory, more democratic and participatory forms of heritage management. However, it has been through these collegiate bodies that the legitimacy for **adapting heritage** has been guaranteed, thus producing the necessary legality.

It is the collegiate body that allows for overcoming the barrier of prior norms, considered restrictive to the needs of businesses, thus allowing it to not comply with these norms. It has legitimacy to do so, considering its collegiate composition, "democratic" enough to justify overriding the norms. But, in order for these collegiate bodies to act in this way, given satisfactory answers to economic imperatives, it is first necessary for the State to control this participation, guaranteeing the necessary support. This control comes from selecting representatives from internal institutions, but also from those considered external to it, those which, in theory, have complete autonomy and exemption in relation to State interests.

Political experience and practice in conducting the process, over the years, showed the need for this control of the decision-making collegiate bodies, and this occurred not only in the scope of cultural heritage, but it also extends to the field of environmental management in the state of São Paulo. However, it is not always possible to obtain positions that are completely aligned with hegemonic political interests, such that, at times, something may not be under control. Unfortunately, this does not manage to change the path of things much. The participatory and democratic nature of the decisions in the collegiate bodies thus becomes a mere illusion.

To make this discussion more concrete, we shed light on some examples based on which we aim to raise issues for experiences in the field of heritage policies, in an attempt to clarify the different strategies used in the meaning of **adapting heritage**.



2. The "preservation" that becomes destruction: the case of the Site of the Sítio Itaim

The house was the site of the old Sítio Itaim, located on the land that is now on Brigadeiro Faria Lima Avenue⁷, protected by the organization of state heritage⁸ since October 1980, when the council decided to file a preservation claim, which was finalized in 1982 with the issuing of the SC Resolution n° 46/1982. The preservation began at a time when an old sanatorium occupying the property was no longer active there. According to the information in the preservation claim, since the 1920s, the building was a psychiatric hospital, the Bela Vista Sanatorium. In 1980, the property was sold to the Selecta group, by businessman Naji Nahas, who, after receiving notification of the establishment of preservation, began ordering the demolition of the buildings, which was followed by an embargo and legal action.

The partial demolition and abandonment provoked by the owners since then resulted in a preserved heritage site composed of ruins formed by thick walls of rammed earth, considered relevant evidence of the typical architecture of rural houses from the XVIII century. The issue to be taken to task here involves reflecting on the solution used to restore this preserved heritage and on the strategies for **adapting heritage**.

The Itaim Sítio stands out as a case in which the solution given "in name of preservation" resulted in the destruction of the sense and meaning of the heritage itself, that is, its essence. This occurred for two reasons. In the first place, the solution for the restoration was to restore or rebuild the house, based on its ruins, which goes against the *expertise* in this working field and also against international recommendations. In relation to this, Kühl⁹ claims that many interventions, as observed in the case of radical reconstructions or transformations, explain a contempt for the knowledge produced and accumulated over the course of the formation of this disciplinary field, "[...] and one has the impression of being on this same empirical path begun centuries ago, to reinvent the wheel, committing, with this attitude, destructions and distortions of documents".

In the second place, the destruction of the meaning in this heritage occurred because the solution used ignored the existence of the land as an archaeological site, which led to its deterioration when the excavating began to set the foundations and the underground garages. **Adapting heritage** made this solution possible.

With respect to the option for rebuilding the preserved property, during at least two moments of the Condephaat preservation process, there were reports that they advised against taking this measure. In one of the technical reviews at the beginning of the discussion on what side should be used in restoring the property, architect Samuel Kruchin thus claimed:

Given the current conditions of the building, **it is clear that it is impossible to restore it to its original form**, unless we want to approximate it to something like *neo-bandeirismo*¹, since its contemporary restoration greatly surpasses the original physical reference. From our perspective, this is what should be emphasized since, even in the current state, there is still an important interpretation (though partial) of its original spatial context. A "plastic restorer" would provoke a **denial of its contemporary history** and its transcendent meaning in the face of preservation in Brazil today¹⁰.

The architect defended the idea of increasing the value of the ruins by creating a structure in a contemporary language that would distinguish it and make explicit the desire to protect the property, but not recreate it, thus confirming that it was important for the intervention to be linked to the possibility of a new use, instead of opting for the museumification of the ruins.

A similar position is defended by the superintendent of the National Historical and Artistic Heritage Institute (IPHAN, acronym in Portuguese) and the reporting commissioner of the process in 1987, the architect Antonio Luiz Dias de Andrade. In addition to not recommending rebuilding due to the state of the ruins, he also warned about the need to move forward with the archaeological research to support any intervention project:

¹ A land expansion movement by the population of São Paulo during colonial times.

Moreover, prospection services and archaeological research of the cultural estate must be executed urgently, as they are indispensable for reconsidering a new project for stabilizing and consolidating the remaining structures, given the current state of preservation of the building which **advises against any attempt at restoring or rebuilding**, independently of the technical-conceptual problems raised by the critical analysis of the project initially formulated by the Committee¹¹.

Despite the reconstruction having been disregarded as a valid option twice over the course of the preservation process and even with the international recommendations to condemn it, such as the Burra Charter¹², it ended up being the solution chosen for restoring the property. Contrary to art. 18 of the Charter, the intervention in Sítio Itaim meant building the largest part of the so-called "substance of the property" and not only the additions to complete what was missing, as established by the international document. With respect to art. 19, the parts rebuilt should reveal their distinction from what is original, which also did not happen with this construction. Therefore, the solution approved by the heritage organization seems like a contradiction, since, as Kühl recalls¹³, the Condephaat, being an institutional member of Icomos-Brasil, should act according to the letters and doctrines established by this international committee, such as attending to international conventions and recommendations by UNESCO.

Apart from the reconstruction, the project encompassed a surrounding area with a garden to benefit the atmosphere of the São Paulo rural house. Both house and garden, located almost centrally on the land, were involved in the incorporation into the architectural project of the new building, called the Pátio Vitor Malzoni. The result was an enormous block of a spread-out building with a central opening framing the preserved property encircled by the garden. Placed physically in the project of the new building, the rebuilt heritage has become a semblance of an 18th century rural São Paulo house in the business center of Faria Lima.

We believe that the idea of **adapting heritage** can help us understand how an intervention rejected by *experts* in the field of heritage can, with the

approval of a collegiate body, be legitimized after all, thus becoming unquestionable from the legal point of view.

However, in the case of the Sítio Itaim, **adapting heritage** went beyond this, since it meant overriding the illegalities involved in destroying the archaeological site, which took place in 2009, when the construction began on the Pátio Malzoni. Despite the protection of archaeological sites being contemplated in the scope of federal legislation¹⁴, under the responsibility of IPHAN, construction for the new building on the land, in particular the lowering of the ground level by 20 meters in order to establish the foundation, began without any consultation or request for authorization made to the organization. This resulted in a construction strike in 2009, when the Federal Court accepted a lawsuit by the Public Prosecutor's Office. Even so, it was already too late and the archaeological site had been reduced to only the subsurface of the house, which made it impossible to survey and recover the archaeological pieces that would contribute to the historical interpretation of its place in the neighborhood.

The Court decision arrived late, though the illegality of the construction was already explicit in the face of the legislation protecting archaeological heritage since 2008, when the Public Prosecutor's Office requested information from the preservation organizations to clarify the existence or otherwise of the archaeological research carried out. Condephaat clarified, given the opportunity, that the research was carried out in only three months of fieldwork in 1988 and that a second phase of excavations had been anticipated, which would not have been possible, since the research would not be complete, which would prevent freeing up the area for interventions. On the other hand, the response from IPHAN, in addition to presenting erroneous data claiming that Condephaat had been carrying out research for two years, which may have led the Public Prosecutor's Office to conclude that the construction was legal, was also evasive, since it is the responsibility of this organization to report the absence of archaeological research filed with this federal authority, given its legal responsibility to work towards the preservation of archaeological sites.

How can we possibly understand the lack of performance of both organizations with respect to protecting one archaeological site of such great importance, relative to a large-scale enterprise, in one of the most valued areas



of the city? How is it possible that the reports that led to the approval of the enterprise had not taken into account this "minor detail" of the need to move towards saving the area for archaeological purposes?

The irony of the case is that despite the problems relative to the preservation of this heritage, the Pátio Vitor Malzoni received the Master Award in 2012, considered the most important in the real estate sector, precisely because of its sense of "historical restoration". The project also won, at this same awards show, in the Professionals category, for having enabled the "preservation of heritage", the case being called the "Restoration of the Casa Bandeirista of Itaim Bibi". According to one of the architects of the project, what could initially be a negative aspect became a defining element of the project of this building, considered the most expensive of São Paulo.

We thus observe that the preserved ruins did not become an obstacle to the urbanization business. In this case, on the contrary, they were incorporated into the logic of the commodity increasing their exchange value due to the symbolic meaning attributed to the heritage and, more so, due to its production as a simulacrum of a preserved rural house.

Adapting heritage, in this case, meant adapting it to the needs of the architectural project, compromising the research on the archaeological site and going against the recommendations on interventions and restoring the heritage. We believe that understanding the adaptation of this heritage must involve placing it in the context of the reproduction process of the metropolis and the role that this new business-commercial centrality represents for the business of urbanization.

If the land remained for more than two decades without any intended purpose, it was based on the implementation of the Faria Lima Urban Operation that a new perspective of land valuation was created for those parts of the city. As discussed by Carlos¹⁵ (2001), the urban operation made it possible to override the circumstances of scarce space: by altering the zoning and increasing the building ratio, new density issues were guaranteed in neighborhoods that originally were residential and horizontal, enabling the reproduction of urban space in the form of new areas to be incorporated into the



construction of office buildings. **Adapting heritage** served to enable economic interests involved in this new centrality of businesses in São Paulo.

3. Eliminating popular culture: the case of the *Parque do Povo* (“Park of the People”)

In all of the protected heritage in the state of São Paulo, there are in fact few properties that we can say are representative of the popular classes or that are found to be connected to the identity, action and memory of these social groups, as is the case of urban or rural workers.

Of the few examples that we have of this category of heritage that involves popular culture, the two cases to be addressed here involve the most drastic **adaptations of heritage**, since they resulted in the elimination of the preserved property itself or of its significant parts, which made it impossible to be re-imagined as a cultural property. What both cases have in common is the social meaning of this heritage connected to the memory of the workers and to popular culture, in other words, the collective heritage that did not have the same prestige as its counterpart associated to the political, economic or religious elite. Does this mean that we can consider that it is precisely the connection of these heritage sites to these social groups **without power** that implies more drastic project solutions, which eliminate the properties, completely disrespecting the memories of these groups?

This is what happened in the *Parque do Povo*, a property preserved by state authorities, in 1995, and which is located in the proximities of the same Brigadeiro Faria Lima Avenue, therefore, in the same central spatial context of businesses in the metropolis which, in the previous case, was exemplified by *Sítio Itaim*.

This park, whose name is related to the forms of historical appropriation that took place there, was preserved as a property representative of popular culture due to its being one of the last amateur soccer field parks in the city. At the time of the preservation, there were eight dirt soccer fields, surrounded by eucalyptus trees that were planted by users of the area, in addition to facilities



such as dressing rooms, bathrooms, a social area for the clubs, residences for guards and caretakers, and bars, indispensable for practicing amateur soccer.

In the words of historian José Sebastião Witter, consultant of the study on the preservation:

This "Parque do Povo" is, today, the place that materializes that which History cannot revive, the pure game of real soccer in the clubs located there: the game played, not the competitive organized dispute, which generates profits and almost determines the path of young men who make it into a big club. In the "Parque do Povo" (as testimonies and studies carried out can prove) the foundation of everything is recreation. [...] This amateur sport, in the city of São Paulo, can only survive while geographical spaces such as this one continue to exist, without excessive rules or intricate bureaucracy, but with a spontaneous order of the participants themselves of the soccer gatherings [...]¹⁶

The area began to be used by popular clubs in the 1930s, but, from the 1950s forward, when the river basins were integrated into the productive space of the metropolis, as analyzed by Seabra¹⁷, the clubs of the city lost their traditional spaces and migrated there, thus turning the Parque do Povo into a residual space.

How space is used by people translates into its residual status. Soccer games held mainly at night and on the weekends, since the park was a recreational center for city workers after a stressful workday. The preservation study showed that park users were coming from different parts of the capital, some from Itaim Bibi itself, some from neighborhoods from the southern region, such as Santo Amaro and Capela do Socorro, but also from central neighborhoods such as Consolação and Bela Vista. The vast majority worked in the neighborhood commerce: salesmen, cashiers and clerks, but also many assistants, cooks, waiters, dishwashers and *pizzaiolos*.

The spatial valuation process resulting from the construction of the Faria Lima Urban Operation would make popular use of the Parque do Povo a major inconvenience to overcome. From the 2000s on, a true campaign to disqualify and deligitimize popular use led largely by the *Sociedade Amigos do Itaim Bibi* (SAIB, Portuguese acronym for "Friends of Itaim Bibi Society"), with the

objective of carrying out a project to redefine the area in which amateur soccer would no longer be allowed. According to a study carried out by Scifoni¹⁸, SAIB contracted an expert report by two engineers who were not specialists in heritage and who disqualified and criminalized these uses, but also filed individual lawsuits against all groups occupying the area, which went through various Federal Courts. As such, apart from legally making it impossible to wholly interpret and understand what that heritage represented, it also made it difficult for the clubs to collectively organize and fight it, and had to defend themselves individually in court.

Despite the preservation theoretically guaranteeing the full protection of the area and, therefore, its popular use and appropriation, this disqualification campaign resulted, in 2006, in the destruction of the object of preservation: the capital's city hall not only evicted the clubs that used the park, but they also destroyed the soccer fields and all of the facilities. In an illegal manner, the capital city hall established a new park, removed the existing eucalyptus trees, built a walking and running path, planted grass and a new species of tree and installed gymnastic equipment.

That which could be called, according to Zukin, a vernacular landscape was destroyed. According to the author,

Architects and art historians used the term "vernacular" when referring to the common traditions of a place or culture. However, I prefer to use "vernacular" to refer to the construction of buildings as well as social relations carried out by those deprived of power, in contrast - and frequently in conflict - with the landscape imposed by the holders of power. Therefore, in contrast to the colonial governors' palace or the bishops' cathedrals, we have the vernacular of the small houses of the poor and the slums. There is always some tension between the powerful institutions, among them the State, who want to build - due to the glory and the profit - and the creation of the powerless.¹⁹

The intervention carried out by the public municipal authority clearly had the objective of eliminating popular use, since for the real estate businesses there, it represented a scenario that contributed to the devaluation of the surrounding properties.



In the context of the Nova Faria Lima Urban Operation, which created new possibilities for real estate businesses, the Parque do Povo should also be adapted to the new conditions of space reproduction in the city. Popular use, which created in its image and likeness a popular (or vernacular, following Zukin) landscape, was not likely to be physically or symbolically incorporated, as was the case of rebuilding the site of the Sítio Itaim. As such, the physical use of this place was not likely to be internalized by the political economy of space. It was thus necessary to eliminate this obstacle from the valuation process, from the realization of exchange value and from the imperative of the economy.

The destruction of the preserved area and its consequent reconstruction in a new form were done illegally, in 2006, but approved by Condephaat in the following year without any kind of punishment or compensation, or any note of disapproval for the breach of norms. The **adaptation of heritage** legitimized that which was illegal, creating a schizophrenic situation from the point of view of legislation, since the Preservation Resolution SC n.24 of 03/06/1995, which protects soccer fields as a physical site for popular activities, still remains in effect.

4. Torn heritage: the case of the Perus-Pirapora Railroad

Up until now, we have seen the **adaptation of heritage** as a result of the pressure exercised by the valuation process of space and which consequently led to the incorporation of the logic of commodities and real estate promotion, as in the case of the Sítio Itaim, regarding its destruction, as well as in the case of the Parque do Povo.

But one cannot think that this is a process that is solely related to the central areas of the metropolis. It is also present on the peripheral fringes when they receive an infrastructure that allows them to be incorporated into a new logic of spatial production.

Here, specifically, we are dealing with new conditions of urban mobility created on the peripheral fringes starting from the opening of the Ring Road, in



its western and southern sections. The construction led to the recreation of the periphery as a strategic place for investments, specifically related to the sector of logistics and storage of commodities to be distributed in the capital. Through this preliminary acquisition of vast portions of cheap land and, subsequently, the installation of large-scale real estate enterprises, constituted by commodity storage warehouses, which are rented to companies in the capital, areas of logistics corridors have been established on the peripheral fringes of the metropolis, as well as alongside the southern Ring Road, in Embu and Itapecerica da Serra and in the sections to the west, between Cajamar and Perus. These enterprises located on the peripheries, as well as the capitalist production of mass housing for the poor, studied by Volochko²⁰ (2011), are, in the author's words, part of business strategies in the real estate-financial sector which capitalize on and value peripheral metropolitan spaces as a means and condition for their own reproduction.

It is about new products for the real estate market, which have changed the landscape of the peripheries crossed by stretches of the Ring Road. In the specific case that we will address here, the possibility of a logistics corridor between Jordanésia/Cajamar and the neighborhood of Perus/Capital is faced with the preserved heritage of the Perus-Pirapora Railroad. Just as what happened in the Parque do Povo, the solution found for this cultural property on the periphery was to eliminate part of what was the object of legal protection.

The Perus-Pirapora Railroad, in its sections between the limestone mines in the city of Cajamar and the Cement Factory located in Perus, a neighborhood in the capital, was preserved in 1987. The demand for preservation came from a group with strong affective and identifying connections with the railroad and the factory, such as old workers, retired people, children of railway workers and laborers. This is one of the rare examples that clash with heritage as a whole, since it is linked to laborer memory and culture, which continues until today, more than twenty years after the preservation, very much present and strengthened with the popular organization of the Movement for the Reappropriation of the Perus Cement Factory.



As the last remaining example in the country of a narrow gauge railroad, 60 cm, this railway was built in the early decades of the 20th century in order to produce cement in the Portland Perus Cement Factory, transporting workers and, mainly, lime ore extracted from the pits in Cajamar. The road was formed by three points: Pátio de Cajamar, where the lime was extracted; Pátio de Gato Preto, where a first level of ore processing took place; and the Portland de Perus Cement Factory, the unit of cement production that was meant to supply the whole country. In addition to constituting a benchmark of industrialization for São Paulo and the country as a pioneer factory in cement production, its importance is also related to the expansion of the construction industry in the country, sustained by the cement from Perus.

However, the factory and the railroad became publicly known due to the long-lasting strike movement led by the Queixadas Union due to the lack of paying salaries, the pursuit of labor rights and, later, due to the effects of pollution on the worker health. In 1987, production was halted due to worker taxes and debt, and the factory and railroad were deactivated.

It is in this context that the railroad was preserved. At first, the conflicting situation involving the factory and the union had perhaps diverted attention from the preservation organization to the interpretation of heritage as an indissociable whole, as a factory system. In this sense, only the railway line, its undercarriage and installations were protected by Resolution SC n.5 of 19/01/1987. In 1995, a proposal for regulating this preservation was elaborated, which aimed to retrieve the industrial meaning represented by the factory, worker villages and the railroad, incorporating the three Pátios and some of their installations as part of the perimeter of the preservation. Approved by the Council in 1995, though not issued in the form of a Resolution, this proposal ended up staying only on paper.

In the 2000s, while the state government carried out studies for opening the Ring Road in its first section crossing land on the peripheral fringe, the pressures surrounding the preservation of the railroad began. This is because in addition to the preserved railway line, the state legislation of preservation contemplated a surrounding area of 300 meters on each side of its sections, which should be regulated according to its use and occupation, bearing in mind



the protection of the area surrounding the property. In other words, there is a vast stretch of land submitted to heritage legislation.

Since opening the western section of the Ring Road, a linear corridor of enterprises linked to the logistics sector has formed in Cajamar, alongside the Anhanguera Highway, and has been expanding to the south. The Pátio de Gato Preto, including simple worker houses, sections of railway line, warehouses and facilities for processing ore, and its respective surrounding area were thus in the middle of consolidating this corridor. At the same time, the Pátio de Cajamar was also threatened by the reactivation of lime mining activities.

Adapting heritage meant eliminating all three points of the railroad, that is, the Pátios de Gato Preto, Cajamar and Cement Factory, from the perimeter of the preservation. This was done by using the proposal elaborated in 1995, which extended the preservation, and was already approved with the minutes of the elaborated resolution. The strategy used to adapt the heritage was to modify the terms of the minutes, cutting significant parts, mainly in the description of the preserved perimeter. Imperceptible to those who read the lawsuit, since a large part of the text in the minutes was kept in the resolution, including the initial justifications of the 1995 study, which, in the end, are incoherent given the fragmentation carried out on the preserved property.

The alterations were expressive, since they eliminated the obstacles of a renewal and expansion of the mine pit in Cajamar, enabling the real estate project in Perus and mainly, the construction of the Cajamar Industrial Park, a condominium for industrial storage, which, according to its institutional advertising, was "developed to attend to the most demanding specifications of storage and distribution". The condominium also won the Master Award in 2012 in the Commercial Enterprise category and sells a discourse of sustainability.

This result was obtained by issuing a new norm, Resolution SC n.56 of 13/12/2000, which fragmented the object of preservation and thus made it impossible to understand it as a cultural property. This is because the preservation there would begin at the second kilometer of the railroad, in the middle of nowhere, and would end at a point called a junction, much before the two Pátios, de Cajamar and de Gato Preto. Here, we question the meaning of maintaining a preserved property fragmented in its essence, a railroad with no



beginning and no end, disconnected from its history, including work and industry.

Adapting heritage has produced, in the three cases studied here and, in the many others that could be cited here, increasingly incomprehensible cultural properties from the point of view of the memory they once represented, transforming into mere commodities for touristic use, objects reified with a "cultural" use made elite and perverse, because they imply the expropriation of memories of popular groups, of uses, forms of appropriation and spontaneous fruition.

5. Spatial adaptation and valuation: in pursuit of a final summary

Understanding the issues related to preserving cultural heritage has increasingly become of major importance for geographical analysis. Far from constituting a topic eminently confined to determined disciplinary fields, such as Architecture or History, heritage requires an interdisciplinary approach. In the perspective of critical urban geography, it is necessary to situate it in the process of space production, comprehending its role as an obstacle or as an instrument of real estate valuation, as well as the contradictions and conflicts involving its protection, social meaning, forms of use and appropriation and its placement as part of the history of the city.

The cases that were raised here places us in the face of essential questions, especially in the scope of urban geography, from the relation between the policies of adapting heritage and from the valuation process of urban space.

Based on what was presented, we understand that it is the land issue of heritage, that is, the location and role of the land where the heritage sites are found at moments during the spatial valuation process, which places on the State the need to intervene in the name of private interests. Adapting heritage as a public policy is thus a condition for moments of spatial valuation and, therefore, is also part of spatial policies.

While these lands are in the state of value preservation, a moment that precedes land valuation, or in the so-called low land market, the preservation of heritage and its residual uses do not represent real obstacles, which enables and guarantees their continuity and daily reproduction. However, from the moment in which real estate production becomes advantageous, since the surroundings have already reached levels of valuation that enable economic profitability for businesses and guarantee maximum profit, heritage has become an obstacle to be transposed through the policy of adaptation. Adaptation passes through the State, by means of what Lefebvre²¹ called political production. It thus takes place through a variety of strategies that produce legality where it did not previously exist, guaranteeing the spatial valuation process.

In the case of the Sítio Itaim and the Parque do Povo, this turnaround in economic profitability that triggers new processes takes place based on the consolidation of the Nova Faria Lima center; for more than two decades since 1980, the land of the Sítio Itaim was not used and in the Parque do Povo soccer games took place on a daily basis. In the case of the Perus-Pirapora Railroad, the turnaround took place after the opening of the Ring Road, which consolidated the main highways on the peripheral fringe as hubs for logistics corridors.

The Urban Operation, building infrastructure for mobility, adapting heritage are thus products of state action to create the conditions necessary for spatial valuation. Understanding the strategies used in adapting heritage under the control of public institutions is therefore a necessary task for an urban geography that aims to be critical.

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Notes

¹ Simone Scifoni, “ 2014

² Ana Fani Alessandri Carlos, 2001.

³ Henri Lefebvre, 1991

⁴ Ana Cristina Arantes Nasser and Marlene Fumagalli, “ , 1996, pp. 25-37.

⁵ Idem, p.35

⁶ Henri Lefebvre, 1977, pp. 20-65.

⁷ Based on the establishment of the Faria Lima Urban Operation, in the 1990s, which extended the path of this avenue, the land gained a side facing the highway. Before the urban intervention, the land faced Iguatemi Street, behind this avenue.

⁸ Condephaat, Council for the Defense of the Archaeological, Artistic and Touristic Heritage of the State of São Paulo.

⁹ Beatriz Magayar Kühl, 2008, p.96.

¹⁰ Condephaat. *Process n° 20.640/78*. Metrical-architectural, photographic survey of the Bela Vista Sanatorium main office, on 9 Iguatemi Street, for preservation purposes. Emphasis ours.

¹¹ Idem, p. 434. Emphasis ours.

¹² Icomos Document, International Council on Monuments and Sites.

¹³ Beatriz Magayar Kühl, *op. cit.*

¹⁴ As established by Federal Law 3.924 of 1961 and Decree 07 of 01/12/1988.

¹⁵ Ana Fani Alessandri Carlos, 2001.

¹⁶ José Sebastião Witter, “Futebol, várzea e cidade de São Paulo”, in Condephaat. *Estudo de Tombamento do Parque do Povo*. Processo no. 26.513/1988, p.659.

¹⁷ Odete Carvalho de Lima Seabra, *Os meandros dos rios nos meandros do poder: o processo de valorização dos rios e das várzeas do Tietê e do Pinheiros na cidade de São Paulo*. São



Paulo, 1987. Tese (Doutorado em Geografia Humana) – Faculdade de Filosofia, Letras e Ciências Humanas, Universidade de São Paulo.

¹⁸ Simone Scifoni, 2013, pp.125-151.

¹⁹ Sharon Zukin, , 2000, p.106

²⁰ Danilo Volochko. 2011.

²¹ Henri Levebvre, 1977, p. 20-65.

The Ariadne's thread and the undoing of urban tourism's knots

Luís Augusto Severo Soares

A question as a point of departure

This essay is written out of a concern materialized in the following question: *how do we define tourism and how do we situate it in the production of urban space?* In order to try to answer this question, it is necessary to examine the theoretical discussions about urban tourism that simply accept some crystallized information as “certainties”. Some examples of this perspective are: arguments that defend tourism as a new way to access the knots of the globalized economic system, that approach it as an experience which denies the market progress over spaces and that relate it to solutions mediated by the necessity of organization or reorganization of the space.

Therefore, our question is a critical counterpoint to a discourse and a practice that separate the analysis of tourism from the current forms and contents of the production of urban space and of the reproduction of social relations. Consequently, the point of departure of this discussion seeks the comprehension of tourism as one of the constituent and constituted processes in the entire space in which the social and space practices develop. Indeed, tourism does not detach from the relations presented in the constitution of space (Lefebvre, 1999) as a product/producer of a series of relations and contradictions derived from societal reproduction (Carlos, 2008; 2011).

Thus, the reasons that guide us are not isolated from the analysis of the relation between tourism and urban space; they are actually a practice and a concept integrated into the current forms of production of urban space. Therefore, the purpose of this essay opposes the idea that understands tourism in a relational perspective toward the space it benefits from. This opposition is built on the evidence that the contradictions implied by the “certainties” and their attempts to decipher and harmonize the relation between urban space and tourism are not mere reflexes of the progress of economic interests in tourism, in other words, the analysis guided by those patterns nearly always results in repeated contradictions.



Thus, the challenge of this essay is to situate tourism in the production of urban space, exposing it in the set of contradictions and conflicts derived from the production of space. A preliminary path towards the understanding of tourism as part of the socio-spatial practices that, from a wide perspective, connect to the production of life's space as a totality that opposes any type of fragmentation or separation.

In this path – already converted into a challenge, but not into a pre-guided route – the “certainties” on tourism in urban space will be examined. Their “role” in the production of this same space, or, in other words, in the place where appropriation and production of life conflict with domination and production of goods will be under discussion as well. The main question to debate is how to situate tourism in the process, as we believe that, once it is understood, it shall be possible to discuss how societal reproduction in the current moment of its development occur.

The illuminated/shaded field: the denial/acceptance of the “touristificated” urban space

There is no doubt that tourism stimulates income, job creation, business and the sums of money that fill the economic spreadsheets of cities that risk to promote it. It has been years since this idea plays a notable role in the academic studies and governmental projects for stimulating tourism, a conceptual system strongly supported, as Ouriques (2005) shows, by the hegemony of quantitative indicators and by the constitution of a repeated discourse upon the benefits of tourism and its socio-economic effects. This situation reveals more than the reposition of a theoretical framework, for the defense of tourism is also due to the extension of an ideological and practical content that shades the double economic and social attribute of tourism and, at the same time, conceals the resulting contradictions of the ideology and the practice that qualify it. Regarding this, tourism is both a market – an industry in its economic sense, capable of amplifying the accumulation cycles in the emissive and receptive nuclei – and a synonym of liberty and citizenship. It represents the access to a

world of historically conquered rights, a practice founded as a wish for recovery and as a search for getting to know something that does not belong to the one who travels.

In other words, tourism results from social relations mediated by the capitalist production and from the continuous renewal of these same mediations that it apparently opposes or supplants. Its promotion and its fruition are restored in a time, in a space and in a set of practices and knowledge apparently disconnected from the world of consumers, producers and workers. By being analyzed that way, the content that supports the initiatives to stimulate tourism seems to conciliate acceptance and denial of the economic production universe, a type of knowledge and an action that keeps repeating tourism is one of the most important economic and social “phenomena” in the contemporary world.

The different social, political and economic contexts involving the movements for tourism success in modern society do not allow us to determine how and when it begins to be promoted and carried out according to this double designation. In spite of that, it is possible to say that since 1950 tourism has been an item in governmental plans, in brokers’ interests and in workers and consumers’ wishes in a world mediated by the capitalist production¹. This process established the double economic and social attribute of tourism, promoting it, mainly in the periods of economic crises initial effects and later solutions, as a means to stimulate new cycles of economic development.

This process, at first, begins when state control is required to rule the socio-economic order and is responsible for determining, planning and stimulating the creation of territories for installing the necessary facilities for the travel and leisure market that would result in economic viability and fulfilment of social rights². Carefully designed places “to make a tour of”: vacation homes, hotels,

¹ By observing the social, political and economic context of the main industrialized nations in Europe in the years after the 2nd World War, it is possible to state that the amplification and settlement of the processes of vacation institutionalization and the economic expansion supported by a system of social and political regulation consonant with production and mass consumption allowed the social and political success of tourism. It would change from a practice restricted to small groups into a world of trips, hopes, consumption and rights that would progressively reach more social groups.

² It is possible to observe, from the 1950s on, the implantation of a series of urbanization projects and coast development in many cities, which included infrastructure and tourist facilities capable of attracting investment in areas that could receive a large number of tourists. National states were in charge of the implementation of these projects, since they opportunely foresaw the expansion of tourism as a way to economic growth led by the real estate business and by the civil construction industry. As examples of this process, we can mention the projects of coast

shopping malls, cultural corners, sports areas, gastronomic boulevards etc. Large territories that offered urban benefits and tourist facilities surrounded by natural landscape that does not exist in the grey neighborhood of urbanized areas where the demand lived. According to the technical jargon of specialized tourism – similar to the concepts adopted by urbanists – these places already had the necessary resources to attract tourists, it was only necessary to have a plan to organize the installation of a set of facilities, services and infrastructure that, altogether, would attract tourists and provide the economic and social development derived from tourism.

In this course, not without deviation and in different times, the processes of space organization for the installation of tourism would become the “new” pieces on the map of capitalist expansion. In different ways, such expansion needed territories for the constitution of tourism space: the place for the consumption of/in leisure understood as temporary freedom from work, for the interchange instituted as cultural contact and, why not to say, for the assumed escape from everyday life mediated by the rationalization of production and work. New vacation machinery that simultaneously became a decisive element for the expansion of capital and for the legitimation of tourists’ wishes for freedom and evasion.

In the 1970s and 1980s, tourism was already described, according to Davidson (2001), as an economic branch that could surpass the limited horizon of industrial production. Being an “industry” as well, tourism would start to be treated as a socio-economic phenomenon and its development reached the entire society – the visited people’s economic conditions, the environmental concerns, the social turbulences of large cities. Inserted within advertisement that disapproved the rigid world of mass production and proclaimed in the words of those who, despite their intentions, explained the industrial beginning’s end, tourism would succeed keeping its double economic and social attribute.

development promoted by the French government between 1959 and 1974, which Monferrand e Berthonnet (2012) name “*l’époque des grands chantiers touristiques*”. Among these projects, we can highlight the *Station balnéaire de La Grande-Motte* (begun in 1960) that created six tourist units separated by natural areas along 180 kilometers on the coast of Languedoc-Roussillon. Another example is the Spanish Costa Brava in the 1950s, during the dictatorship of Franco and the political interests that validate “social tourism”, which would be identified as an appropriate region for building hotels, apartments and tourist facilities that would allow investments and exchange values for the country (Mazon, 2001). In Latin America, the most significant case is Cancun (Mexico), a construction that began in the first years of the 1970s (Torres, 2002).



Many scholars (historians, anthropologists, sociologists, geographers etc.) were aware of this situation and applied themselves to the analysis of the generated effects on the receptive territories, which intensified the debate about the conflicting advance of tourism on spaces (Hiernaux, 2006; Almirón, 2011). On the one hand, space transformation committed to tourism was justified by the rise of socio-economic indicators, which, according to technical and specialized predictions, would spread to the entire society. While on the other hand, tourism was treated as a practice and as an economic branch that reorganized and transformed the space into a territory that could be wrapped and put on a supermarket shelf.

At the end of the twentieth century, the voice of those who longed for the local economic prominence could be heard. In post-industrial times, sometimes announced as the only alternative to overcome the differently named crises - the mass production crisis, the modern paradigm crisis, the solid society crisis and the Ford-Keynesian model crisis – tourism would be associated to the projects for redesigning the degraded industrial cities, with precise straight lines and curves drawn in red over the old urban, industrial and consumption areas maps. In such a situation, planners would find a new role for tourism and the city would become a supply post, but remain as a place of demand. In this context, urban tourism branch would emerge in spoken and written sentences to notify that cities were a product of their history, a unique landscape, a display full of things where the consumption of singularity fulfills the multiple taste.

A new status for the “socio-economic phenomenon” of tourism was at everyone’s service and a new possibility of debate on the relation between space and tourism arose. Simultaneously, the creation of tourism spaces seemed to move naturally to the inner-city zones, as a step given in the linear evolution of time. In urban space, mainly in old industrial areas or downtown areas overtaken by the strength of the huge metropolis new downtown areas, tourism would settle as a way to reduce the shades of unproductivity and to reinforce the nuance of something that was once only secondary in the goals of public managers, entrepreneurs and investors³. More than ever, the progress

³ This is the position assumed by several cities that plan and project urban tourism connecting it to a series of interventions aiming at revitalizing areas of the city for its later reinsertion in the economic system. Amid outnumber



of the economic production generated by tourism in urban space would become an aim involving the economic, social and political plan of the place that remained waiting for the interests to realize its potential.

In relation to the economic aspect, tourism was associated to opportunities to attract external investments (installation of enterprises and the chance to win new business), jobs and income (generated by the new business), more precisely, it was associated to the movements that stimulated the local economy based on business growth and tourist consumption. The valorization of space as a product itself could not be forgotten, as it would be inserted in the economic system as well. The social aspect was justified by the multiplying effects of the economic development derived from tourism, i.e. the creation of social wellness (job and income) and the fact that spaces were given back to people and visitors, as a means of legitimating leisure, alterity and freedom. Finally, the political aspect, the role of local governments was, basically, to integrate the local space into an open and competitive world of globalization.

In accordance with these ideas, specialists in urban tourism would explain, each one according to a different perspective, the rise of this new branch and would suggest solutions for the obstacles to the potential relation between urban space and tourism. Some of them, aligned with the strategic planning and management theoretical framework, would not hide their preference to the city marketing or to the business-oriented public policies, others, supporters of the analysis of tourism as a “post-modern” experience, would make accusations against the excessive commodification of urban space and the cultural, ethnic and human values existing in it.

Regarding this, the panorama included numerous argumentations and lines of thought that, based on the study of economic, social and political aspects, would develop an important part of the theoretical framework of the relation between urban space and tourism⁴. Although we do not intend to summarize

similar cases, we can mention the intervention in different areas of Buenos Aires, as Bertonecello (1999) discusses, or the *Porto Maravilha* Project in Rio de Janeiro port area, which Igrejas (2012) analyses.

⁴ It is worth clarifying that we refer to the varied production of knowledge on the different approaches of tourism in urban space. If we take them in a broad perspective, and, therefore, not limited to the division according to their object of study and without separating them according to the area of study, it is possible to consider the existence of what we name the plurality/regularity of thought centered in the discussion of the relation between space and urban tourism.

and describe the wide content of the various works on this relation, we believe it is important to highlight the fundamental arguments of these studies.

Among them, we find the interpretative lines that define the relations between urban space and tourism according to a systemic approach, more precisely, what Berg, Borg and Meer (1995) name Urban Tourism System. Its principle is the comprehension of urban tourism as a result of the interaction of several elements that, among others, include the tourist behavior in the space, the local political actions to stimulate tourism, the existence of resources, attractions and tourism business activities in the place. These elements are related to the measures for space organization and to the communicational strategies to stimulate the “urban tourism attraction”, or, as Butler (2004) proposes, in a broad perspective, are related to the “tourism area life cycle”.

The descriptive scheme of the system proposed by those authors treats urban space as the localization of functions and city’s tourism services and social world, which gives the space characteristics derived from the continuous adaptation to time changes. According to this thought, urban space is an organic system likely to be affected by the elements of the physical, social, economic, political and cultural subsystems. Altogether, they create and interrelate the necessary resources for the constitution of the urban tourism product, which includes the primary products (local natural, cultural and historical characteristics, for example urban furniture, traditional demonstrations etc.) and secondary (tourism facilities and services, for example hotels, convention centers etc.)⁵.

When analyzed that way, urban space is a support for the promotion and development of tourism and is an object that can be ordinated and re-ordinated in order to make the demand internal and external accessibility easier, and to determine the image assumed by the city in the publicizing and commercializing

⁵ This type of classification and organization of the urban tourism product constitutive elements can be equally found in other studies that describe, as Boullón (1990) does, tourism space in terms of hierarchization and ordination of the tourism facilities, infrastructure and attractions capable of motivating a tourism trip. In the same way, the recording method of governmental projects to stimulate tourism follows a systemic approach to the urban space and tourism and is guided by the hierarchization and ordination of facilities, attractions and the necessary resources to promote urban tourism. The recording method used in *Projeto de Inventário da Oferta Turística* proposed by Ministério do Turismo (Brasil, 2006) and in *Plano de Desenvolvimento Turístico do Centro de São Paulo*, carried out in 2007 and 2008 by SÃO PAULO TURISMO (SPTuris) (Prefeitura da Cidade de São Paulo, 2008), are examples of this practice.



circles of tourism. Therefore, urban space is both seen as the localization of the activity and the product of tourism supply and as the raw material that depends on the planning and formatting of “qualities” so it is projected on the economic cycle and can gain benefits from it for those who live in this same space. In other words:

“(...) el desarrollo del turismo sin duda contribuye al bienestar social y económico de la ciudad, apoyándose en tres condiciones básicas, que se seleccionan, respectivamente, con la imagen de la ciudad, la calidad de su producto turístico y la eficacia esperada del desarrollo exitoso del turismo urbano”⁶ (Berg, Borg e Meer, 1995, p. 41).

When presented that way, the arguments of the *European Institute for Comparative Urban Research* (Euricur)⁷ scholars leave no doubt when stating the inseparable relation between urban space and tourism, as urban space itself is the feasible product that can progress in social and economic terms as an attraction due to an abstract image and a set of concrete benefits. The city space is the place for business and tourism practice, because it is where one can find the support and the necessary characteristics for tourism promotion and the consequent local socio-economic development. An attitude dedicated to the spaces converted into attractions, landscapes and “qualities” that are decisive for the success of tourism in urban space.

For those researches, who share a similar opinion with Pearce (1989) and Hall (2001), urban tourism planning and management needs the support of a systemic approach that believes in tourism as a means of revitalization of areas where the city is promoted as an attractive and competitive product. Or, quoting Wainberg's words (2001, p. 11), as an attraction “*com níveis (subsistemas) variados de excitação ofertada, num tempo determinado e a custos diversos*”⁸. Therefore, the city is on the right side of the equation, as supply and, at the same time, on the left side, as demand, as it receives the benefits of tourism –

⁶ “(...) the development of tourism undoubtedly contributes to the city's social and economic wellness, being supported by three fundamental conditions, which are selected, respectively, from the city's image, the quality of its touristic product and the efficiency of a successful development of urban tourism”.

⁷ This institution was founded in 1989 by Rotterdam and Barcelona mayors and by researchers of different European, American and Asian universities. It prepares comparative studies that offer practical recommendations to politicians and urban management professionals. Among the themes studied by them, tourism is presented as a fundamental strategy for urban economic development.

⁸ “with different levels (subsystems) of arousal offered at a determined time and at diverse costs”.



the socio-economic development and the revitalization and reinsertion of degraded spaces into the capital economic movements.

Consequently, urban space is the system to be planned and managed in order to value the tourism businesses that take advantage from the dynamic personality of the social world, placing it as a market distinctive factor. Urban space is also the result of the economic valorization tourism supported by marketing strategies and by the creation of space forms capable of reaching the right side of the equation, where demand, tourism businesses and the city itself are.

This way of thinking suggests urban space is a system that circumscribes both the dimensions that give form and content to the tourism product and the interactions derived from the movements for its valorization as a product. Therefore, according to this approach, the urban space planning should be able to attract and integrate new groups of consumers and investors into the spaces created and recreated inside the city, and commit itself to the constitution of the tourism product's characteristics and the changeable personality of the city. The more tourism develops and generates positive results, the more cities will be an attractive product and a means for the development of the tourism productive sector and for the increase of consumption of/in space, what makes political and space renovating projects actions a key for the process⁹.

Vera Rebollo and Monfort Mir (1994) present a similar argument when they emphasize that space planning should be accompanied by a management process aiming at a balanced transformation of comparative advantages, determined by the intensive use of tourism resources, into competitive advantages, based on the rational use of the space and on the constitution of a flexible supply. These authors, taking advantage from the critical analyses of the projects for stimulating tourism, which privilege the transformation of space into a homogeneous product detached from the local social dynamic, defend that urban space is more than a localization of tourism. According to them,

⁹ For Hall (2001), the development of strategies for urban renovating dedicated to the promotion of the tourism activity makes the attraction of new demands possible and values the local interests by keeping the characteristics of each place. Hall believes that urban tourism development should be among the local interests of those who want to work in this sector. For this reason, it is necessary to evaluate critically the "city tourism potential", taking into consideration the urban renovating as a means for the people socio-economic development.



space is an argument of the supply and, simultaneously, a starting point for the correction of social and space lacks of equilibrium in the places where tourism develops.

Once the contradictions generated by the process of space organization for tourism activity development in the city are elucidated, as Vera Rebollo and Monfort Mir suggest, it is possible to find a number of situations that make the socio-economic and tourism development in the place more difficult. These authors present several analyses that suggest the necessity of “balancing” the relation between space and tourism, by focusing on the supply and not on the main objective of attracting the demand. However, they do not abandon the opinions that reaffirm the potentiality of urban space for tourism valorization as a productive activity, neither the idea of tourism for urban space revitalization as a necessary product for productive valorization.

Several authors, for instance Pearce (1989), Hall (2001) and Boullón (1990) among others, agree with this approach and observe that space planning and management should assure the mediation of the interests and conflicts of the different groups acting in the wide field that relates urban space and tourism. In this context, they claim that urban tourism development should involve the people’s participation, legitimating it and keeping it away from investors, entrepreneurs and consumers’ immediate impositions. Although it is a subtle idea, a discursive self-defense lies in these approaches. Under the idea of a systemic balance, they place the city as business carried out by the economic movements related to tourism and indicate that the resolution of the equation that unifies and improves the supply-demand relation begins by understanding urban space as a totality with several dimensions. When this totality is converted into an attractive product, it would constitute a positive system output.

In this analysis, there is the rational valorization of the idea that the ordination of urban space is a fundamental tool for the local development – the residents’ life quality, the improvement of social justice in the city space etc. –, which, according to Law (2002), depends on the constitution of participative political-administrative actions. The objective of these actions considers the projects for the spatial organization of the city, the sectorial policies for the economic development of tourism and the inclusion of the population as a way to reduce



the social problems that affect cities. Similarly, Borg (2012) emphasizes that urban tourism planning should promote the harmonic development of the city, since from the integration of the various interests that compose supply and demand, it is possible to realize that urban tourism is an activity capable of integrating instead of segregating. For Tyler (2001), this is an interpretation of urban tourism as a social, economic and political post-modern response. An activity that transcends the mere concern with the supply quality and the tourism product.

As we understand it, an important part of these analyses derives from the critical appreciation of touristification¹⁰, fundamentally, of the space ordination directed to the promotion of tourism that starts a series of conflicts amid the “different types of territoriality” that coexist in the spaces where tourism develops. In Knafou’s words (1999, p. 64), who centers his analysis in the tourist’s behavior in the space of the other, touristification is the result of conflicts between the “sedentary territoriality” of those who live in the tourism place and the “nomad territoriality” of those who take possession of the territories they visit.

When treated beyond these limits, touristification might be interpreted as the result of a process that clearly shows the contradictions generated by the organization of space for those who visit (the demand of consumers/tourists), for those who plan and commercialize the place (the productive forces between supply and demand, including state actions) and for those who live in the space (the supply itself and the place for the consumption of the tourism product).

This interpretation allows us to understand that the negative effects of touristification became the safest justification for those who defend the complexity of urban tourism. They see tourism as a phenomenon that generates a series of impacts over the receptive sector, and mainly, over the set of actions and experiences of the local dynamic – the residents’ routine, the cultural

¹⁰ It is important to notice that the term touristification has different senses. Summarizing, it is related to the processes of a place transformation into a tourism place, a process of space qualification for the development of tourism activities. Therefore, it can be interpreted as part of a movement to build the landscape according to the tourist’s point of view, a focus specially important to comprehend the valorization of space generated by tourism, as Jean-Marie Miossec proposes in the article *L’image touristique comme introduction à la géographie du tourisme* (1977). It can also be interpreted as part of the processes of re-ordination and/or production of places for tourism growth, becoming a strategy for the insertion and/or economic recovery, according to the arguments presented by Rodrigues (1999).



demonstrations etc. – that is invaded by the interests of those who promote tourism exclusively as business. If, on the one hand, the interests committed to the “nomad territoriality” (the demand, intermediaries and investors) seem to be excessive and capable of degrading the urban space’s “essence”, on the other hand, the urban space itself – the place where tourism develops and explodes as an experience of alterity – constitutes an important means of valorization of the “sedentary territoriality”, contradictorily, the distinctive product for attracting tourists.

When space touristification and “urban revitalization” actions are understood this way, they become the fundamental element of the “certainties” created to solve the problems in the relation between urban space and tourism. Therefore, the challenge for urban tourism planning and management is to obtain the economic benefits from the product success without affecting the “soul” of each place or without submitting itself to the “colonization” imposed by the groups that occupy and commercialize the space from the outside¹¹. In other words, it would be necessary to evoke the special characteristics of the historical past or the hybrid cultural present in order to “qualify” the supply without transforming the city into an empty and dominated place.

The equation is relatively simple. On the one hand, the supply – the city and its potential multiplicity required by the economic agents and planned by the political agents, preferentially with the participation of locals. On the other hand, the demand – the wish for tourism as an aspiration of freedom for those who visit, a means for social rise and economic growth for those who are visited and the valorization of the city itself, as it is offered as a product. The result of this equation would not depend on one component only, but on the connections produced in the place where they are integrated. By this logic, the result would simply depend on the way each place takes advantage of its potential, without ignoring the special characteristics that made it a necessary product, a medium and a necessary place for its own development.

¹¹ The loss of the “place’s soul” and the “submission” to the movement of the globalized economy that colonizes the place are respectively discussed by Yázigi (2001) and Cazes (1999). These terms are constantly referred in the studies that defend space planning as a safe tool for solving the problems inherent in the relation between urban space and tourism.



Therefore, it is not possible to privilege the demand and the economic interests that overwhelm the values of the “sedentary territoriality”, neither it is to neglect the potential of urban tourism as a productive sector, which is fed with the particularity that dimensions the totality of urban space. The analyses presented by Castrogiovanni (2001) demonstrate this dual balance. He understands the city is a system of flows and fixed that shades the physical and imaginary reality of each place. The author claims that “*é sempre possível descobrir novas possibilidades para a oferta de atrativos turísticos urbanos*”¹² without damaging their characteristic contents.

According to his interpretation, the urban tourism supply – the flows and fixed that constitute the totality of urban space– is the starting point to “balance” the contradictions derived from the “appropriation” of the space by the tourism business. If the “locational” knowledge exists and the attempt to shape the supply to the demand’s interests is not accepted, “*será possível despertar no turista a sensibilidade, a fim de provocar-lhe diferentes leituras*”¹³ (Castrogiovanni, 2001, p. 25). Thus, the conflict between the “different types of territoriality” can be solved when the act of tourism planning is guided by the singularities that characterize the urban space and by the attempt to believe in the tourist/consumer’s autonomy, without isolating them in tourism places that rationally deny them the urban tourist experience (Selby, 2004).

Allis (2012, p. 47) sees the tourist experience as a trend for the analysis of tourism in São Paulo’s urban space. She agrees with Selby and Castrogiovanni’s idea, who believe the challenge is “*captar as formas pelas quais o turismo se espacializa nas grandes cidades (ou seja, os territórios turísticos), nas quais as atividades turísticas estão imiscuídas à dinâmica urbana per se e a todas suas atividades (comércio, indústria, transportes, sociabilidades etc.)*”¹⁴. With respect to this, the forms, identities, functions, structures, processes and meanings that compose the landscape of each city do not have any sense when they are integrated uniformly and separately. On the contrary, these components should be read and recognized as “*elementos*

¹² “It is always possible to find out new possibilities for the supply of urban tourism attractions”

¹³ “it will be possible to touch the tourist’s sensibility, in order to arouse different ways of understanding”

¹⁴ “to grasp the way by which tourism is spaced in big cities (i.e., the tourism territories), in which the tourism activities and urban dynamic and all its activities are mingled *per se* (commerce, industry, transportation, social relations etc.)”.

*marcantes da singularidade urbana*¹⁵, i.e., as differences that appear in the totality of each space, fundamentally, the qualities that guarantee the “*identidade mercadológica do lugar*”¹⁶ (Castrogiovanni, 2001, p. 28).

This movement integrates with the perspective in which the relation between urban space and tourism is mediated by an old-fashioned productive logic that threatens the multiple and particular reality of each place. In other words, the “marketing identity”, the “sedentary territoriality” or the “urban tourism attraction” are parts of the same path. Through different ways, moments and contexts, this path led to the end of the Ford industrial production logic, frequently associated to the creation of tourism spaces for mass consumption that degrade the physical, cultural, social and historical elements of which tourism depends on.

The act of progressing in the market (a global market) and in the urban entrepreneurialism game, preserving the reality produced in the place – the “urban totality” –, seems to be the objective that summarizes the emergent necessity of avoiding touristification. It uses the short cuts and the feedback of the Systems Theory or of the post-modern deconstructions, which renew the interpretation of the relation between urban space and tourism.

Turégano’s view (2007) is still related to the arguments previously mentioned, but seems to clarify and synthesize the necessary procedures for solving the touristification equation. The author thinks tourism should not be determined according to a model of urban planning and economic promotion, but to different alternatives of productivity improvement generated in a territory. He claims that:

“(…) en función de cómo se reparta socialmente la riqueza, algunos agentes económicos pueden considerar que el incremento de la renta es insuficiente para sus expectativas, y presionar por tanto para un crecimiento turístico a mayor escala. No hay que olvidar que la opción por uno u otro tipo de ‘modelo turístico’ mediante mecanismos como los costes de entrada favorece a unos y perjudica a otros. La opción por uno u otro no debería pues tomarse sólo en base a argumentos supuestamente técnico-urbanísticos, ni en base a consideraciones “económicas” consideradas como meramente técnicas. La opción ha de tener en cuenta también factores sociales, y es por ello necesario, (...), recuperar para la

¹⁵ “remarkable elements of the urban singularity”

¹⁶ “the place’s marketing identity”

discusión política cuestiones que en ocasiones se relegan a una discusión económica concebida como sinónimo de “técnica”¹⁷ (Turégano, 2007, p. 64).

The analysis proposed by the author emphasizes that the insertion of urban space – the differences and local particularities – into the economic movement should not implicate the end or the destruction of what is characteristic of each place. With respect to this, touristification is not necessarily a synonym of destruction of the other’s space or of supply submission to the mechanic wishes of an economic production that wants to keep the total amount of the tourism space’s income, but it is actually a process of productivity improvement in/for the tourism space.

This interpretation becomes more relevant and wider when we consider the analyses that treat the city as a “unique cultural product”, as the one presented by Gatal (2001). This concept is this author’s premise and she discusses the relation between city, tourism and culture, warning of the risk that tourism is as a means of appropriation and change of the cultural products’ characteristics. For her, this danger is directly associated to the ways of ordination and consumption of tourism space, which are based on the constitution of mass and homogenized products, spaces that do not involve the local cultural demonstrations and particularities and that are only a support for the progress of tourism market.

Regarding this, an idea becomes stronger: the city as the place where use occurs. However, such idea does not detach the city from the actions that guide the exchange of/in the space, and it places the productivity of the “unique cultural product” as part of the contradictions inherent in the mode of production that justify urban tourism as a trump in the economic competition. Therefore, this process is relegated to a condition of appearance, or, what is even worse, to a mere error caused by the lack of knowledge of the actors involved in tourism. The idea of the city as a mass product guided by the demand seems to

¹⁷ “(...) depending on the way wealth is shared, some economic agents may think that income improvement does not meet their expectations. So they can pressure for an even higher tourism growth. It is important not to ignore that the adoption of a determined “tourism pattern” may be an advantage for some and a disadvantage for others. Thus, the choice of one pattern should not be based on technical-urbanistic arguments, neither on the “economic” aspects due to a mere technical consideration. The option has to take into consideration the social aspects, and for this reason, (...) it is necessary to insert some issues in the political debate, instead of placing them in an economic debate, offered as a synonym of a technical one”.





deny the characteristics of the place, depriving it of the capacity of following its own productivity patterns. If this idea is true, the planners and the specialists in the relation between space and urban tourism need to change the place of the elements in Wainberg's equation (2001), according to the experience of use, the totality that creates particularity and the selection of productivity limits. However, the act of changing places does not mean a substitution, as the supply and its physical and symbolic dynamism remain as a distinctive characteristic and continue to be the necessary resources to compete in a globalized context where demand shows its consumption wishes and investors hold productivity formulae in their hands.

Other ideas – even in different perspectives and with different words – reinforce such interpretation. A good example is the usual criticism of the standardized tourism spaces, places that are separated from the totality of the social dynamic. Among several opinions, Judd's words (2003) deserve to be highlighted, mainly because of their approach to the "tourist bubbles". The author, based on the critique of what he names post-structuralist literature, which thinks the city from a conceptual and practical perspective as a knot in the international web of capital and images' commerce, notes the dangerous processes of standardization of planned urban spaces for tourist's consumption, i.e. the creation of islands of wealth isolated from the surrounding urban landscape. Judd analyses the social control that exists inside the urban tourism spaces, which catches the tourist in a web of wishes and consumption regulated by the marketing. Confined in the "tourist bubbles", the tourist becomes a spectator that moves between the physical and the imaginary, mixing experiences with the consumption of fractions of the place, in which "*se combinan la homogeneidad y la heterogeneidad, suficiente tanto para dar un sentido de comodidad y familiaridad como para inducir también un sentido de novedad y sorpresa*"¹⁸ (Judd, 2003, p. 56).

Although these arguments seem to deviate from the recurrent way of understanding the urban tourism product, derived from the systemic theories of space and the marketing for cities, we should note that Judd's view concerns

¹⁸ "homogeneity and heterogeneity combine, in a way that guarantees a sense of coziness and familiarity and lead to a sense of novelty and surprise".

the possibility of change in the way urban and tourism space is organized. For us, this opinion does not seem to be different from the ones that see the city as a product used in tourism expansion, neither from the idea that the city is a medium for this business to progress. Although the author rejects the type of planning that converts the city into a mosaic of fractured spaces, detached from the local cultural and historical dynamic, he accepts the term “hybrid” as an adjective to describe the city and open it to meet the demand’s wishes, like Gastal (2001), Turégano (2007), Castrogiovanni (2001), Selby (2004), and others do.

Fratucci (2000, p. 130) does not participate in this debate directly, but his position is similar to Judd’s. He proposes tourism is a social-spatial practice that goes beyond the restrict economic dimension that produces empty spaces, and defends the necessary *“revigoroamento do conceito do turismo enquanto momento de encontro de alteridades, onde é possível a troca de experiências socioculturais e do enriquecimento pessoal, tanto do turista como do anfitrião”*¹⁹. For him, the social-spatial practice of tourism:

“(…) permite a construção de um lugar onde a marca principal está na troca de experiências pessoais, entre o seu habitante e o turista. O lugar turístico é, precisamente, o lugar do encontro do anfitrião com o turista, lugar onde seres humanos diferentes podem manter uma relação face-a-face e estabelecer uma troca de conhecimento, de sensações e de desejos”²⁰
(Fratucci, 2000, p. 130).

According to this perspective, space is not a tourism product because of the planners’ designs and decisions, which do not follow the local interests in the name of the tourism market rationality; neither it is an image made from the city attractions. More than that, urban space is a totality that explodes the bubbles’ walls, being exciting for any wish required by the demand. Judd’s words confirm this interpretation:

¹⁹ “revival of the concept of tourism as a moment for the encounter of alterities, when exchanging socio-cultural experiences and personal development is possible, both for the tourist and the host”.

²⁰ “allows the construction of a place where the main characteristic is the exchange of personal experiences, between the local and the tourist. The touristic place is, precisely, the place where the host and the tourist meet, the place where different human beings can keep a face-to-face relation and establish knowledge, sensations and wishes interchange”.

“Un examen de los espacios turísticos revela que la fractura de los espacios de las metrópolis postmodernas puede crear diversidad y diferencia, más que monotonía y uniformidad. Como en el pasado, las ciudades del futuro serán muy probablemente lugares que combinen orden y caos en una mezcla constantemente cambiante e impredecible. Eso es lo que las hace tan fascinantes”.²¹

In relation to this aspect, Judd (2003), Gastal (2001), Castrogiovanni (2001), Wainberg (2001), Hall (2001), Berg, Borg and Meer (1995), and other researches we have mentioned in this paper, seem to be connected by the same *Ariadne's thread*. It guides them through the rigid/flexible walls and floors of the labyrinth of conflicting and contradictory relations between urban space and tourism. These relations comprise the connections, also antagonistic, between the global and the local nowadays, between the nomad wish and the sedentary values in the recent past, or, between the supply and demand movements understood from the economic, social and political dimension, which accompany the relation between space and tourism over time.

The end of the yarn ball, or, if we prefer, the hypothesis that provoke their analyses, is the solution, the “certainty” that there are answers for the problems observed in the studies on the current relation between urban space and tourism and that these answers are able to resolve conflicts and improve the system. At any pattern, the necessary tool for achieving these goals is the space planning and management, more precisely, the conscious planning and management of the complex and multiform characteristics of the “proper” space for tourism. Thus, the contradictions originated from tourism development and promotion are effects of the unregulated market, the fact that local interests are overwhelmed, the non-inclusion of locals into the political and productive process of tourism, the planning based on immediate solutions, the incomprehension of the socio-cultural and social-spatial phenomenon of tourism etc.

In these analyses, solutions and criticisms explode, they recover and mingle concepts and discussions about the “non-places”, about the landscape and

²¹ “The analysis of the touristic spaces reveals that the fracture of the post-modern metropolis’ spaces can create diversity and difference, more than monotony and uniformity. As it happens in the past, the cities of the future will probably be places that mix order and chaos in a constantly changeable and unpredictable way. This is what makes them fascinating”.



cultural identities hierarquization and commodification, about the socio-economic impacts etc. These processes are said to distort the meaning of human experience and of the urban tourism system itself. Thus, the analyses confirm the expectation that the socio-economic development derived from tourism in urban space is a moment of overcoming the limits and problems of dehumanized production.

Even though these interpretations bring important elements to the debate on urban tourism, we believe that a relational approach to urban space and tourism prevails in them as well as the idea that the interests of tourism economy cannot overwhelm the city's multiplicity and complexity. Therefore, the relation between urban space and tourism remains and it is debated inside the process in which tourism would improve as business in/for urban space, which, in turn, is understood as the necessary distinctive characteristic for tourism growth as business.

From this line of thought, it is possible to extract an intermediary hypothesis to support and continue the discussion we propose in this essay. The threads running within the critique of touristification of urban space, which define urban tourism according to a systemic approach and as an interpretation of the socio-cultural experience, are parts of the same ball of yarn. When we unwind this ball of yarn, the threads place us again inside the labyrinth of the reality of our time. Differently colored and textured threads, tangled and ready to be unwound by the "certainties" that are supposed to be a solution for the effects of touristification, which fragment and convert the city into a piece of merchandise. Proud of showing the "essence" of the city that explodes in subsystems, imaginaries and picturesque adventures, several researches seem not to realize that their critique keeps tourism and space in the continuous relational condition, which, in our view, does not apprehend more than the nexus of cause and effect of tourism/urban space or space/urban tourism.

This is exactly the point where we find the "certainties" on the illuminated/shaded field of urban tourism: the denial/acceptance of the "touristificated" urban space. A movement that changes places of space of organization-reorganization vectors and give them the balance derived from the inseparable pair formed by urban space planning and management. When



observed this way, the tourism-urban space binomial is justified as a product/producer and urban space is valued because of tourism; business and/or the experience of tourism improves due to space valorization, and tourism (business and/or experience) has this same valorization as one of the justifications to continue. Once we are illuminated by those “certainties” and by the practice that realize them, it is our turn to ask: *how can we define tourism and how can we situate it in the dynamic of the production of urban space?*

The production of urban space and the shadows on the illuminated field

Before dealing with the question that accompanies our discussion, it is necessary to talk about a process that, according to our view, is the border of the shadow projected over the illuminated field without being noticed. What remains “non-seen” by the ones who analyze the relation between urban space and tourism illuminated by the light of “certainties”, the other of the thought and of the action that is built upon the clarity of this light. Therefore, the movement of a thought that leaves the illuminated field and tries to situate tourism in the production of urban space.

The point of departure for this moment of our path is to clarify exactly what is meant by production in this essay. According to Lefebvre’s explanation (1973), two aspects constitute it: the production of life and the economic production. These aspects do not separate, they actually constitute and relate the production of man as a generic being and the production of merchandise that, altogether, form the social relations. Beyond the materiality and the mere economic meaning, these relations reach a sense that places us in the production of ideologies, values and ways of living and acting, and, as noted by Lefebvre (1999a, p. 37), “of illusions and truths”²².

Based on this interpretation, it is possible to verify that production cannot be seen in an isolated or fragmented way. Its analysis is not restricted to the

²² Lefebvre uses these terms when referring to Marx and Engels’ concept of production, presented in the Manuscripts of 1844.



product manufacturing, distribution, exchange and consumption cycle. The production involves other processes, without being detached from this cycle.

We will not present a detailed interpretation of the concept of production found in the invaluable contribution of Marx's thought, although we acknowledge it. However, it is possible to base our discussion on what he meant by production: the verification that production is not a result of individuals acting in isolation, but of individuals producing in society, i.e. the notion of production also involves the social relations constituted in the time and space of its existence.

As warned before, the notion of production is not a partial note that isolates the two aspects we have mentioned previously, since it does not reaffirm a relational and compartmentalized view of the production of life and the material production. The concept of production is established on the contraposition to the fragmentation of content and of the forms and mediations that make social relations possible at a determined time-space.

In this process, in which the production goes beyond the manufacturing and consumption of things and objects, the production of social relations unfolds and becomes reproduction of social relations – the reproduction of a way of life (Lefebvre, 2001; 2008) –, which contains the relations of production that are characteristic of the capitalist mode of production.

This interpretation leads us to consider that the capitalist mode of production continues as a reproduction of the set of relations of production (relations and work organization processes, distribution of individual and collective labor products, circulation of production results etc.). These relations of production cannot be detached from the set of social relations that form and renew them in the plane of life (of everydaylife²³).

Therefore, the interpretation of this movement allows us to realize that the continuity of the relations of production that structure capitalism depends on the

²³ Although everydaylife is a recurrent subject in Lefebvre's works, we pay especial attention to the debate carried out in the second Chapter of *Everydaylife in Modern World*, in which the author situates it as one of the main means to the reproduction of the relations of production. He also observes a series of arguments in order to demonstrate that this condition conceals several regulations, mediations and ideologies that value the exchange and do not allow the use in the plane of life. Based on this interpretation, we can resume our readings of other important debates promoted by Lefebvre. For example, the discussion on the urban level, mainly the habitat level, among the others presented in the fourth Chapter of *The Urban Revolution*, as well as the arguments about the reproduction of the relations of production listed in *The Re-production of the Relations of Production*.



reproduction of the relations of production. Thus, the notion of reproduction of the relations of production is the core of the debate proposed in this essay. As asserted by Lefebvre (1973, p. 23):

“O conceito da reprodução das relações de produção restitui ao conceito de ‘produção’ um conteúdo definido, um referencial prático. (Nos) permite compreender a perda de sentido e de identidade no tocante ao conceito de ‘produção’ e talvez também a alguns outros conceitos e termos: trabalho, desejo, prática etc.”²⁴

Regarding this, the reproduction of the relations of production shades the fact that the productive forces development is not possible without the social relations of production. This changes the perspective of analysis of the society as a whole, for it places the interpretation of society in the set of cyclical and linear movements that produce/reproduce the society’s constituent practices and contents. Therefore, such concept evidences the content of something continuous, something that renews itself, and the causes and consequences of the conflicting relation between the production of life and the economic production, both set in the dynamic of reproduction.

This notion changes the perspective that tries to comprehend the reality of the current time, a reality that promises a “new society” without transforming the relations of production. As Lefebvre (1973, p. 7) highlights, the “discovery” of this notion puts an end to the “*declarações prospectivas sobre a harmonização eventual dos elementos da sociedade, sobre os seus equilíbrios estruturais*”²⁵.

When Lefebvre places this process as “*um instrumento intelectual para a descrição e a análise crítica do ‘real’*”²⁶ (idem, p. 6), he shows us a guiding thread for analyzing the reality of our time, avoiding systematizing it or understanding it as the counterproof of any type of harmonization of the elements that collide and connect in the constitution of society. The discovery of this concept is the denial of the society’s structural balance, specifically, the act of opposing the description of totality by pointing the partial processes that

²⁴ “The concept of reproduction of the relations of production gives a definite content to the concept of “production”, a practical reference. It allows us to comprehend how meaningless and identity-deprived the concept of production became and maybe also in relation to other terms and concepts: labour, wish, practice etc.”

²⁵ “prospective statements on the eventual harmonization of society’s elements, on its structural balances”.

²⁶ “an intellectual tool for the description and the critical analysis of the ‘real’”.

exist in a given reality. In our case, we oppose the relations presented by the disciplines and studies (including “multidisciplinary”) that try to explain the cause and effect relationships detaching them from their constitutive movements. Would it be the case of the knowledge and the practice set on the illuminated/shaded field? Or the case of appreciations based on the relational analysis of urban space/tourism? Yet, the case of studies and projects about touristification, the critiques of the space re-ordination and of the recent ways of promoting and developing urban tourism?

These questions remain and demand a discussion on the production of space: the universe of actions and human achievements that objectively develop in a space characterized as the place of human existence and as a representation of their identity and historical action. Such notion encompasses the production of the human and of the relations and mediations produced by the space/producers of the space as a product, medium and condition for the reproduction of social life (Carlos, 2011).

Therefore, in production of urban space terms, the broad sense assumed by the notion of production supplants the level of the physical production of a space, as well as it goes beyond the interpretation that sees it as a place for consumption in the space itself. The production of space is also the production of social relations, of ways of living and acting and of History. In those conditions, the contents of the social-spatial practice, the totality of actions and mediations that produce and reproduce the social relations and contradictions between use and exchange in/of life space are established.

“Essa perspectiva torna imperativa a análise do processo de reprodução, cuja noção envolve a produção e suas relações mais amplas, ligando-se às relações que ocorrem no lugar do morar, nas horas de lazer, na vida privada, guardando o sentido do dinamismo das relações sociais entre necessidades e desejos. Engloba também, as ações que fogem ao ou se rebelam contra o ‘poder estabelecido’, a sociedade de classes constituindo-se num universo imbricado de situações que não pode deixar de contemplar a dialética entre necessidades/aspirações/desejos, os quais se encontram latentes na vida cotidiana” ²⁷ (Carlos, 2011, p. 58-9).

²⁷ “This perspective makes the analysis of the reproduction process, a notion that involves the production and its several relations, mandatory. Such notion is connected to the relations that occur in the place of living, at leisure times, in private life, keeping the idea of how dynamic the social relations between necessities and wishes are. It also



With respect to this, the production of urban space does not detach from the reproduction of the social relations of production, which, in different ways, point to the constitution of space as work and product, respectively, as multiple human creations and material and repetitive symbolic creations (Lefebvre, 1973). Consequently, the production of urban space also develops as reproduction of urban space in the city, composing, simultaneously, the movement of societal reproduction. It also exposes the processes by which everyday life experience, history and city's representations integrate into the process of reproduction of urban space. As stated by Carlos (2006, p. 82-3):

“Nesse contexto, o movimento de transformação do dinheiro em capital percorre agora, preferencialmente, outros caminhos. A criação dos fundos de investimento imobiliários atesta, por exemplo que o ciclo de realização do capital desloca-se para novos setores da economia reproduzindo os lugares como condição de sua realização”.²⁸

Therefore, this is the moment when the continuous reproduction of capital, striving to attend to the economic transformations, occurs, and reproduces the urban space as an interchangeable piece of merchandise. This is the moment when space itself enters the commerce and the city is converted into a business.

This perspective allows us to question the role of tourism in the dynamic of the production of urban space, which, in a broad perspective, integrates the reproduction of social relations of production guided by the valorization of capital logic. For this reason, it is crucial to understand that the reference to the production of urban space and its correlated reproduction of social relations of production, which form the social-spatial practice, point to a concept of tourism as an action and business that produces and reproduces the relations of production characteristic of capitalism: labor, leisure, consumption etc.

Thus, in order to situate tourism in the production of urban space, the notion of production needs to be taken into account, for production is also understood, as

encompasses the action that escapes from the “established power”, the society of classes being constituted in a universe of situations that need to contemplate the dialectics between necessities/aspirations/wishes, which are underneath everydaylife”.

²⁸ “In this context, the movement of transformation of money into capital runs now, preferentially, through different ways. The creation of real estate investment funds proves that, for example, the cycle of realization of capital moves to new economic sectors reproducing places as a condition for being carried out”.

explained earlier, as the reproduction of relations of production. This conception is beyond the defense of a systemic organization of urban tourism, the critique of the conditioning of consumption inside the fractured spaces and the simple critique of the presence of productive forces that act in space and in tourism. Indeed, this conception is established and revealed in the societal reproduction and in the contradictions derived from that. Consequently, this line of thought is not based on the defense of any model, structure or rule that opposes the arguments existing in the illuminated field of touristification. It is actually supported by the verification that the reality lived by man is included in the reproduction of a set of social relations that affects his role of producer of History, directing him through the continuous reproduction of capital.

When moving through the continuous reproduction of capital, the production of urban space, which is also the production of man's space and his history, reflects a fundamental contradiction: the conflict between capital and life. Regarding this, urban space begins to be seen as "*produto de contradições emergentes do conflito entre as necessidades da reprodução do capital e as necessidades da sociedade como um todo*"²⁹ (Carlos, 2008, p. 14-5) and not as a place where these contradictions exist revealing the "gaps" and "solutions" that fill them. If this last approach were adopted in this essay, it would be stuck in the analysis of the relation between urban space and tourism and would conceal the movements that are fundamental to situate tourism in the production of urban space.

Before presenting these movements, it is important to emphasize that the path taken in this essay does not derive from a theoretical preference, neither from how comfortable it may be to follow a more, or less, critical line of thought. The path was chosen due to the comprehension that urban space, in the current stage of society, is more than the place where tourism or the re-ordination derived from it develop. Tourism has become a product, a medium and a condition for the valorization of capital (Carlos, 2011) which, among other strategies, benefits from tourism. Thus, we understand that the promotion and development of tourism in urban space are similar to the movements of

²⁹ "product of the contractions that emerge from the conflict between the necessities of capital reproduction and the necessities of the society as a whole"



production and reproduction in urban space constituted as the condition for the accumulation of capital³⁰, i.e. the constitution of the city as business that is, among other designations, “touristic”.

In other words, due to the necessities of the reproduction of capital and the transformations derived from the crises that characterize the passage from the industrial to the advanced tertiary sector, tourism becomes an alternative to the valorization and improvement of the circulation of financial capital. Supported by political strategies, financial capital turns to the creation of spaces inside the city as a way of stimulating new cycles of accumulation. This essay focuses on the moment in which “*a produção do espaço se realiza num outro patamar, que é o do espaço como momento significativo e preferencial da realização do capital financeiro*”³¹ (Carlos, 2011, p. 119). In this context, the pursuit of the realization of capital widens the notion of production of space as a product and a medium of organization for the expansion of productive forces. In the case of tourism, of the sales of parts of space or of the planning of new spaces for tourism consumption – the touristification -, capital finds in the reproduction of urban space the condition to develop, without excluding them. Having clarified some points, we will now resume the movements that allow us to situate tourism in the production of urban space. These are: the reproduction of urban space derived from the expansion of tourism as a valorization of urban space’s centrality for the realization of capital, especially for business, events, shopping branch etc., and the valorization of tourism (as a socio-cultural practice and a socio-economic phenomenon) as an argument for the continuity of capitalist accumulation³².

³⁰ If we take Lefebvre’s spatio-temporal axis (1999b) as a possible way to comprehend the fundamental elements of the movement of the regressive/progressive method this author uses, we find the movements of continuity/discontinuity existing in the long trace. In a broad perspective, these movements reveal the generalization of productive rationality in the plane of life, as well as point to the production of urban space as a condition for capitalist accumulation. According to this view, the constitution of the city as business cannot be comprehended as a situation that reflects the conditions of the contemporary world in an isolated way. Thus, the movements of continuity-discontinuity observed by Lefebvre allow us to place urban space as a product and a means for social organization of the relations of production and for the expansion of productive forces. They also allow us to comprehend how capitalism, facing its own limits, find in the production of urban space (understood in a broad sense) the reproduction of the relation that maintain it. Regarding this, the current movements of reproduction of space, despite the ways they are carried out, do not detach from the movements of continuity/discontinuity we previously mentioned.

³¹ “the production of space is carried out on another level, which is the level of space as a signifying and preferential moment of the realization of financial capital”

³² Even though these movements are not necessarily separated, they suggest a way to comprehend how tourism is situated in the production of urban space, so its observation points to the dynamic that, in a broad perspective,



The first movement is associated to the close relation between financial capital, industry, civil construction and the local governmental strategies of spatial planning, to which tourism is related as a justification for the installation of facilities and enterprises connected directly or indirectly to the expansion of business, events and shopping tourism. The areas occupied by real estate ventures designed for commercial use, hotels, events etc.³³ are an example of this.

In this context, the necessity of expanding the business carried out in the city and the fact that the city plays the role of business itself (touristic business) become the justification of requalification or, simply, “qualification”, of new centralities that can welcome the different demands of tourism. Thus, the city has to be guided and organized for the expansion of tourism and of the business that require a spatial structure for those who arrive in the city. This spatial structure also has to focus on the attraction of new enterprises and events, on the installation of tourism companies and on the necessary support for the supply of tourism services. Consequently, the city has to be open to the process of reproduction of space, which will qualify it for tourism in the same proportion as to the amount of business the city itself can generate and welcome.

As noted by Carlos (2006, p. 81), this process points out to the “*construção de novas formas territoriais vinculadas ao processo de transformação produtiva (...), via de regra, fundada na transição da economia industrial para a terciária*”³⁴. Such actions are integrated into the dynamic that emphasizes the usual idea that the tertiary sector –associated to tourism of business, events,

guides us to the analysis of society itself. Consequently, taking into consideration the aims of this study, specific cases that explicit those movements will not be described or analyzed. This essay seeks to offer a perspective, a possible contribution for widening the current views of tourism that, as explained earlier, are frequently based upon the relational analysis of urban space/tourism.

³³ According to the references presented by Page (1995), these areas have the important function of developing local and regional tourism, since they offer the tourism facilities (mainly, the structure for events, hospitality, foodservice etc.) and appropriate transportation for tourists to move around the city. These areas are also important for those who use the city as their point of departure or final destination when moving around a given region. However, when this author mentions the increase of short trips in Europe, he highlights that the creation of these areas should be considered as an important stimulation for the city breaks, as Dunne, Buckley and Flanagan (2010) suggest in *Towards an Understanding of International City Break Travel*. City breaks are cities that can attract several types of interests and travel wishes, more precisely, “touristic cities” that are prepared for different types of visitors, which includes short-term visits to a single city – the main product – and a few intermediaries (travel agencies, for example).

³⁴ “the construction of new territorial forms connected to the process of productive transformation (...), usually founded in the transition from industrial to tertiary economy”.

shopping etc. – represents socio-economic progress. The tertiary sector is also associated to new spaces, to the newly created architectonic aesthetics, to the modern means of urban “mobility” etc. Besides these productive innovation actions of/in urban space:

“(…) os hotéis de capital estrangeiro, shopping-centers, centro de convenções, bares, restaurantes e casas de show produzem o cenário da atualidade em nítida contradição com os espaços residenciais e industriais apontando os lugares de integração ao sistema hegemônico internacional e reforçando o papel da metrópole como nó de uma rede numa hierarquia espacial altamente excludente, com a desconcentração do processo produtivo e o aprofundamento da centralização do capital no centro da metrópole” (Carlos, 2006, p. 81).³⁵

When this is in evidence, it is possible to realize that tourism is connected to a broader dimension, which comprises the reproduction of space as the condition for the capitalist accumulation. However, it is necessary to pay special attention to the fact that this reproduction is not mere repetition, i.e. it is not about a mere interpretation of how capital “takes possession”, re-ordinates and expands spaces according to its interests. The dynamic this essay speaks of includes the reproduction of urban space as a necessary movement for capitalist accumulation, in other words, a reproduction that involves the new relations derived from the concentration of capital in the city.

In this context, we verify the maintenance of the social relations of production and property which are necessary for the development of the productive forces (or what is usually known as economic growth). It is also possible to observe the production of new relations derived from the reproduction of space, of the city as centrality of business, of information and power, and of the tourism originated from this centrality³⁶.

³⁵ “(…) the hotels maintained by foreign capital, the shopping centers, the convention centers, the bars, restaurants and concert arenas produce a scenario of the current times that clearly contradicts the residential and industrial spaces. They point to places of integration to the international hegemonic system and reinforce the role of the metropolis as a knot of a web in a spatial hierarchy that is highly excluding, with the de-concentration of the productive process and the increase of the centralization of capital in the metropolis’ downtown area”.

³⁶ When referring to the “third wave” of gentrification in New York, Smith (2006) highlights the revitalization of Brooklyn as an example of how capital benefits from the creation of new spaces, involving more than the residential aspect. Regarding this, though we do not debate the gentrification of space in this essay, the case Smith highlights allows us to realize that “urban” centrality is part of the process that leads to new ways of reproduction of urban space and accumulation of capital. This process does not comprise the actions in the residential real estate market; it also creates areas mixing commerce, leisure and tourism, which aim at the valorization of the space as a piece of merchandise.



The dynamic of the reproduction of urban space also guides the symbolic valorization of different spaces of the city³⁷ in a similar way and not necessarily detached from the reproduction derived from the economic centrality, which, at first, seems to be closer to business, events and shopping tourism. Such dynamic integrates the space of the city into the process of accumulation of capital using the cultural communication and promotion strategies characteristic of the post-modern city-enterprise that negotiates itself as a “unique product” that cannot be sold “*se não se fizer acompanhar por uma adequada política de image-making*”³⁸ (Arantes, 2000, p. 17)

In such situation, the city promotes and adjusts itself as a product made by its own historical, social and cultural particularities. Thus, it offers its content, form, identity and representations as a way for the reinsertion of capital³⁹, which takes advantage from the production and the consumption for expanding. Therefore, we refer to the “competitive” city that, as Arantes (2000) notes, is legitimated amid the ruins of the social and economic collapse of the modern city, in a way that reproduces the urban space, the social relations of production and the productive forces. These are connected to the practices that try to fulfill the new era of economy, society, politics and post-modern tourism as well as they reaffirm the “certainties” stated in the illuminated/shaded field.

Moreover, it is important to remember that the production of urban space is a fundamental item in the political plans for the constitution of cities that are attractive to tourism. In these cities, the growth of tourism, the increase of financial investments on the construction of hotel facilities, convention and commercial centers, as well as the expansion of consumption derived from tourism flows, legitimate urban requalification as an initial step towards the further stages of the accumulation of capital. These stages tend to correspond to real estate business, both residential and commercial, that encompasses financial capital, civil construction industry and local administration participation.

³⁷ Claver's (2006) study on the governmental interventions in *Ciutat Vella*, in Barcelona, is a good example of this condition. According to the author, since 1990, the “regeneration” of the city's downtown area has been an attempt to transform it into a multifunctional space for welcoming different tourism, leisure and culture businesses. In Claver's view, such dynamic is part of the process of space valorization for its insertion in the real estate market.

³⁸ “if it is not followed by an appropriate image-making policy”.

³⁹ Here we can refer to the urban interventions carried out by local governs in order to install structures designed for activities related to tourism and leisure. As Harvey (2006) highlights, such interventions are interpreted as adjustments to the process of flexible accumulation in the current stage of capitalism and to the insertion of cities in global economy.



In the case of São Paulo, an example of this process is the current dynamic of production and reproduction of urban space carried out in the city's "old" downtown area, more specifically in Luz-Tiradentes Area⁴⁰. According to the proposals presented by São Paulo Turismo (SPTuris) – the official organ for local tourism – Luz-Tiradentes Area has a "potential" tourism inclination, a reason for its insertion "*competitivamente do cenário turístico da cidade*"⁴¹ (Prefeitura de São Paulo, 2008, p. 10). It is an attempt that comprises the regeneration of this "debased" urban space and the opportunity of attracting and generating new economic and social dynamics in this same space. As we understand it, this is an action that places tourism as a fundamental element for the valorization of the space. Once this space is "regenerated", it will be a new area for the insertion of new and valuable real estate products⁴².

Thus, tourism as a productive activity does not represent the exact moment of accumulation by means of the reproduction of urban space. Actually, it is only the first step of a process that begins based on the following argument: the stimulation of the socio-cultural experience, which defines tourism in urban space, is necessary for reestablishing the city's role as a place of History, identity and collective heritage. This initial stage would also argue for the potential socio-economic consequences of tourism. It is thought that the attraction of tourists would enable the creation of new business and new job positions. Finally, the process would culminate in the constitution of a "new" Luz, which, by means of new waves of urban planning – obviously a systemic, participative and humanized planning -, could be properly integrated into the new cycles of production of space for the financial capital realization.

Although this movement is barely discussed from the perspective that situates tourism in the production of urban space production, it is possible to consider that the governmental projects and the theoretical arguments that place tourism as a means of social participation, socio-economic development and socio-

⁴⁰ It is important to clarify that Luz-Tiradentes area was defined in the perimeter of intervention of the Nova Luz Project (nowadays under reformulation), which comprised an area of 529.304m² and would reach 45 blocks, besides Largo General Osório and Julio Mesquita square. In this area there are some of the main tourism facilities in São Paulo, as follows: Língua Portuguesa Museum, Pinacoteca do Estado, Júlio Prestes Cultural Center (Sala São Paulo), Arte Sacra Museum, Luz Park etc.

⁴¹ "competitively in the city's tourism scenario".

⁴² It is worth mentioning that this area would perfectly represent the list of images and words used by the real estate sector to value its products, i.e. good transportation system (being in the downtown area, near the city's main avenues and means of transportation), several cultural and leisure spaces etc.

cultural practices in urban space are part of the same process. A process that culminates in the uncomfortable reality of the city as business.

In this context, the critique's biased argument, capable of using new words to suggest pragmatism and modern mechanicism have been overwhelmed, does not situate tourism in urban reality. Indeed, what situates tourism and places it in the path taken in this essay is the promotion and development of urban tourism in its role of an element in the dynamic of reproduction of the urban space as a condition for the accumulation of capital. The moment the city becomes a product itself (a product that is also "touristic"), a medium for the reproduction of the relations of production and of the productive forces (that can also be described as "touristic") and a necessary condition for the continuity of capitalism accumulation.

We believe this process extends to the conditioning of the use arising from tourism, which convert into a necessary element for the increase of exchange. This condition is partially clarified when we remember the double economic and social attribute of tourism referred in the second topic of this essay. The double attribute legitimated as a concept by scholars, as an aspiration by the visitors and visited people and as a practice by the agents who act for it (governments, local residents, tourists, businesspersons, investors etc.). According to the post-modern interpretation, tourism in urban space is a real possibility that everyone can benefit from: for life improvement, social and economic inclusion, heritage and identity preservation, finally, everything that is under its influence.

Regarding this, the production of space for the promotion and development of tourism does not detach from the tension established between the valorization of use, of emancipation and appropriation of space on the one hand, and the valorization of exchange, of commercialization and of the consumption of/in space, on the other hand. This condition suggests tourism, like other practices situated inside the process of production/reproduction of urban space, is not defined in opposition to the exchange, as argued by the critics of the touristification promoted by the market that privileges profit. On the contrary, nowadays, tourism avails itself of the possibilities of use in/of space in order to describe itself as a socio-cultural and socio-spatial practice. Thus, tourism becomes part of the different forms of reproduction of urban space that



comprise the dynamic of the reproduction of the social relations of production. Tourism's appearance and concept rise as symbols related to the valorization of use, but it remains as an element oriented to the valorization of exchange. Finally, tourism is inserted in the movement of production/reproduction of space – the opposition of appropriation – without limiting it to a “touristic enclave”, since the totality of the “urban” becomes the potential or the real touristic product. Once tourism is situated in the production of urban space, it reaffirms the economic production logic and conditions the production of life to the logic it intends to deny. Heavily involved in the social relations and the productive forces, tourism remains as part of the process of accumulation of capital derived from the reproduction of urban space.

With respect to that, two notions differ and distance from each other and shade the oblique critique of those who insist in the relational analysis of urban space/tourism. Firstly, the notion of production/appropriation of the space as a descriptive category of the spatial ordination/re-ordination for tourism market – the touristification denied/accepted in the argumentations and practices derived from the systemic organization and socio-cultural experience of tourism. Then, the notion of production/reproduction of space determined under the production's double character and under the notion of reproduction of the relations of production.

Such distinction exists both on the theoretical level – the perspective following the method in search of “certainties” – and on the practical level – the act of putting proposals into practice, proposals that are included in the movement of denial/acceptance of touristification. In other words, the notion of production/reproduction of urban space is a point of departure for identifying the process of constitution of the urban space as a vital attribute for the valorization of capital, which, in order to be carried out, clashes with the production of space as production of life. This is not about evidencing the critique that reaffirms the space/tourism relation in order to offer an improvement on the system and on the new ways of developing tourism that would solve, according to the “certainties”, the contradictions derived from this relation. The aim of this essay is pointing out the perspective that sees tourism as a fundamental piece in the

reproduction of society that nowadays involves the analysis of the production of urban space.

The shadow we look at is the dialectical and inseparable pair of light. When this shadow reproduces, it shades the layers of life without excluding them from its scene. Shadow is not the immediate opposite of light; it is actually something that exists in the luminosity. Consequently, the attempt to place tourism in the production of urban space does not go in direction to bright coherence, instead, it moves towards the reality that becomes concrete due to the reproduction of the social relations of production. The thread that guides us is not only committed to solving the contradictions, but it seeks to explain them based on the analysis of the production of urban space.

Re-approaching the illuminated/shaded field and the words back to the path

After speaking of the movements that situate tourism in the production of urban space and of the shades on the illuminated field, it is necessary to re-approach the “certainties” that illuminate the studies on the urban space/tourism relation. A new movement that, as mentioned previously, is created from the reality illuminated by “certainties”, which define the tourism promoted and developed in urban space, but are unable to see the reality produced from the relations of production.

The “certainties” we refer to are in the words and actions that advertise the existence of a tourism space formed by the supply of urban space elements in all its extension, an interpretation focused on the set of spaces produced as attractions, resources and particularities that are decisive for the success of tourism in urban space. Such “certainties” are also among the criticism of tourism planning. They are described with impacting and vague adjectives, being credited to the capacity of overcoming the weight and coldness of the commitment to the economic production and of the market aspirations that keep tourism away from the totality of urban space.



Regarding this, the critique of the “certainties” is supposed to see beyond the colors and lights of the exciting multiculturalism, the behaviorist perspective that examines every single act of tourists, the spatial functionality of city marketing, the conscious and systemic planning of totality. When such “certainties” are focused this way, they reproduce and renew the productive logic as knowledge, and treat this logic as a set of “corrections” that make urban tourism development possible. As part of the movements that are simultaneous to the production, which supposedly encompasses the reproduction of the relations of production, the productive forces and the space, the illuminated look still does not see the continuity of the contradictions derived from the “problems” it intends to solve.

The evidence of this denial/acceptance movement or, simply, reproduction movement, is in the set of arguments presented in the line of thought (the interpretative lines of the urban tourism system and the post-modern tourist experience) and action (the governmental projects and plans to stimulate urban tourism) that leads us to the “touristificated” space again.

When re-approaching the illuminated field that denies/accepts the “touristificated” space, it is possible to observe that the light moves from the height of the illuminated look, which produces/reproduces this light. Therefore, the act of re-approaching is not carried out in social inertia; it does not detach from the knowledge that incorporates it through critique and is not about mere ideological reproduction. Consequently, this act of re-approaching allows us to present a partial answer to the question posed in the initial lines of this essay. As mentioned before, this movement of re-approaching is due to the words and the structuring ideas of the systemic approach to space and urban tourism, as well as to the critics’ post-modern discourse. These are coherent thoughts that acknowledge the complexity and continuous interaction of the elements and actors that produce tourism space. As a result, these observations do not prevent themselves from treating tourism as a socio-cultural and/or socio-spatial phenomenon; consequently, they are closer to the ideas of those who claim not to agree with the mechanistic approaches.

Thus, the coherent thoughts unify the ones who defend the social-economic potentialities of tourism, the tool for attracting investments or social inclusion



(job and income creation, possibility of consuming etc.), and the ones who criticize the social and spatial segregation issue, derived from the creation of “tourist bubbles” in the city and the commodification of culture etc. These are defined as “obstacles” to the tourist experience, which depends on the planning and management of space in order to be carried out.

In spite of the conceptual differences between the analyses presented here, it is observed that the arguments of the illuminated/shaded field share the idea of urban space as a place to be organized so that tourism can provide the city with its positive effects. Thus, these arguments keep tourism, either it is a system, a business or an experience, in the set of contradictions that produces/reproduces touristification (point of overcoming or resolution). Therefore, they do not understand urban tourism as a key for comprehending the reproduction of urban space as a condition for capitalist accumulation and do not look at the content of the shadow; they do not even look at their own shadow derived from the light of their “certainties”.

If there is a difference between the ones who defend the “systemic” and those who prefer the “post-modern” it is that the former believe the business of tourism is one of the causes that justify the promotion and development of tourism in urban space. In the latter case, they think the positive effects derived from the growth of the business of tourism are consequences of the socio-cultural practice of tourism in urban space. However, in both cases the main principles of their propositions are based on the content that relates space and tourism as pairs oriented to the reproduction of the social relations of production. Thus, both present analyses conditioned by the same theoretical and practical framework that sees the city as business: the moment in which tourism justifies and extends the movement of spatial reproduction inside the city because of the new possibilities/necessities of the realization of accumulation.

Regarding this, it is possible to identify a series of arguments that connect the lines of thought previously mentioned. Among these arguments, the discourse and the ideology of planning and its variations – participative, conscious, long lasting – needs to be highlighted. In such works, planning is repeatedly suggested as the tool that either represents a rational solution for the cities to



participate in the global economy competition, or an antidote for the negative effects of the growing competition that does not respect the particularities of each place.

These works suggest that the lack of a process of spatial organization, committed to the valorization of particularities materialized and carried out in the space, causes the distinctive characteristics of this space to change. In other words, it jeopardizes the competitive trump that guarantees the benefits of urban tourism. According to the analysis presented in this essay, the criticism of touristification is a mere warning about the loss of the inclination and potential of the urban tourism product.

These arguments provoke careful thought on the negative influences of tourism – for example, the “tourist bubbles”, the place’s subjection to external interests, i.e. big organizations and investors. However, they do not take into consideration the production of urban space in the context of the reproduction of social relations of production and of the permanency of the tensions and conflicts that affect the production of life. Thus, since tourism was proposed as a problem, it has been detached from its constituent movements as a practice that is co-related to the current forms of production and reproduction in urban space.

In this process, the production of urban space becomes the shadow and tourism is heavily criticized, in a way that detaches it from the dynamic. Simultaneously, this dynamic places the city as a unique and attractive product, as a medium for the production of the tourist product itself and for the expansion of the business of tourism and a condition for capital reproduction. When it is described this way, the criticism is fragmented. Although it seems to be contradictory, the unity of this criticism is a fragile structure consisting of partial arguments, i.e. tourism is nothing more than a relation with the space. The strength of this thought is due to a discourse that mixes the ephemeral multiplicity of the post-modern city with the systematization of the urban space elements, which constitutes its particularity-merchandise. Under this illuminated look, independent on the discourse, space is the result to be commercialized, the medium by which planning will be attached to the orders and values that protect and renew the relations of production and property, or, finally, the



condition for the continuity of the economic production, but not for any other production capable of supplanting it.

It is possible to claim that the criticism of touristification does not oppose the current movements of production and reproduction or urban space as a condition for the reproduction of the capitalist logic. Urban tourism is inserted in this process as a piece for the constitution of a positive relation between the reproduction of space and the accumulation of capital. Even though the critique of the “fractured” space, “taken” by tourism, discourses for the experience in the multiple urban and for the projects that are not limited to the marketing and pragmatic and dehumanized urbanism, it still focuses the analysis either on the experiences of tourists in the urban space or on the tourism consumption experience of/in the place.

Therefore, the “certainty” comes out of the defense of the city’s totality, a type of interpretation that identifies the subsystems, the structures, the resources and the input/output movements of the city “not divided” in touristic areas. This idea “flirts” with the production of space debate, but suggests that, once the city is open to be spontaneously explored and properly organized according to this perspective, taking into consideration the set of elements of its system, there will be no reason to worry about the segregation derived from the “appropriate” spaces for tourism. It will be also possible to overcome the contradictions of the socio-spatial practice mediated by the necessities imposed by the reproduction of capital.

For this reason, we understand that *the discourse on urban tourism* is a false criticism of the economic production logic and practice, since it places the tourist experience in the urban totality as business (the city itself). Such business is oriented to the expansion of the modes of production that justify the necessity of promoting and developing tourism in urban space, reproducing it as a condition for the accumulation of capital.

Based on these considerations, it is possible to turn to our question: *how do we define tourism and how it is situated in the dynamic of the production of urban space?* Tourism remains as a practice that can promote the encounter with the other and their space. However, this possible use becomes residual effect in the



reality guided by the movements that place the reproduction of space as a condition for renewing the cycles of accumulation in the city.

Objectively speaking, tourism is an element of the reproduction process guided by the governmental projects that “prepare” the city for the consumption of the urban experience and for the installation of new business, which proves the double economic and social attribute of tourism. On the social level, tourism becomes concrete because of the job creation and income, the revitalization of degraded spaces, the regeneration of the patrimony and identity, as well as the creation of new areas that are designed for business, events and shopping tourism. Thus, tourism is under the light of social progress and of the possibility of painting the place with local improved and modern colors that favour freedom, encounter, innovation, progress and man’s humanization. On the economic level, tourism promotes the expansion of productive activities in the space and reproduces urban space inside the city, as a unique and particular place.

Regarding this, it is appropriate to ask: can tourism be more than an element of the reproduction of urban space? What is possible to state is that, nowadays, tourism is an important “strategy” for the revitalization of post-industrial cities or a new business for the cities that want to offer an attractive experience, which is also a piece of merchandise. Tourism unifies the physical and the symbolic aspects into a perspective that attends the discourse of past, cultural, traditions and particularity’s preservation as a means for the valorization of exchange, and plays the role of an ally in the reproduction of space as the condition for capitalist accumulation. Either as a socio-cultural experience or as tourism consumption promoted and experienced in front of the display cases of the cities’ systematic space, tourism is one of the movements of the reproduction of the social relations of production that strengthen the reproduction of space as a condition for the realization of capital. A dynamic that conceals and deepens the social and spatial segregation, the fragmentation of human practice and the contradiction between the space of life and the private appropriation of the space. This is the non-linear continuity without the insertion of what is possible. A re-projection of the light that gains distinct nuances, they are different from the one that once illuminated our industrial hope derived from the same source.



If it were possible to choose a metaphor for describing the moment that disturbs and inspires reflection – the concern that motivated our analysis of the role of tourism in the production of urban space, mainly the city as business –, the image of a sunflowers field, where they are all turned to the same light seems to be worthwhile. Probably, a scene of several sunflowers illuminated by a light that prevent them from seeing is even more instigating: are they blinded to the intense light of a “certainty”? Are their words and actions blinding, as they legitimate and reproduce the several focuses and directions of a light that propagates new colors among others that are continuous? If this is true, even the shadow will not exist in this image, and, if it does, it will be seen as an outline, which, deprived from any content, escapes from the clarity of the light that generates it. Even though some people recognize the shadow – which, according to our view, represents a thought committed to the comprehension of tourism situated in the production/reproduction of urban space - others will say that this shadow is insignificant and only exists because of the lack of clearness. An idealism or the reposition of an old-fashioned critique that struggles in its own utopia.

Therefore, within the “certainties”, there are no contradictions but the ones that the light illuminates and defines as “threats” or “weaknesses”. There are no possibilities that remain in relation to the look that, even being critical and willing to comprehend the direction to turn, already knows how to act for renewing the movements that illuminated its pursuit, for placing tourism again as a cause or a consequence of the relation with the urban space.

Thus, the use of a metaphor does not intend to suggest the substitution of the source of light. It is necessary to go beyond and determine a path that takes into consideration the fact that the light – whatever it is – produces shadows and, at the same time, possibilities of looking, without deviating from the illuminated field, in a way that can transcend it. In other words, we do not speak of the effects on the place or the organization of the space for tourism. Indeed, we speak of the conflict between the necessities/possibilities of the accumulation of capital and the necessities/possibilities of the production of life in its broader sense. It explains why the notion of production is fundamental to



this essay. In Lefebvre's words (1973, p. 6-7), a "discovery" and an "intellectual tool" for describing and analyzing the reality of our time.

The metaphor that guides us is not an idealized denial; we are not guided by the *Ariadne's thread* neither by the expectation of disclosing the way out of the labyrinth. We intend to situate tourism in the production/reproduction of the illuminated/shaded area itself, in which the sunflowers and its several interests act and react. The place from which the looks materialize – among conflicts and debates -, looks that follow the light and looks that feel their way along the insignificant dark, interpreted as shadow. If this is true, once tourism is situated in the production of space, it will be possible to understand it and it will enable us to illuminate tourism in order to recognize it as part of the analysis of the *urban problematic* (Lefebvre, 1999). This way can clearly show the contents and the mediations that point out to the reproduction of society nowadays.

In this path, thinking and acting are united under a continuous/discontinuous line of possible ends, they warn for the loss of the possible and reveal the alienation as the "*impossibilidade de realizar uma possibilidade, como virtualidade bloqueada*"⁴³ (Lefebvre, 1971). Therefore, the perspective Lefebvre points out to leads us to the real/virtual urban, to the movements of comprehension of the possible-impossible, to the conjunction of becoming and experienced that can result in the conquest of the possible.

We do not try to identify the rights and wrongs in the theories and analyses presented in this essay. We actually tried to point out to a movement that overcomes the logic that produces the effects the "certainties" show or solve. Objectively, there is long way to go, for what seems to be the solution – the act of disclosing the way out of the labyrinth guided by the *Ariadne's thread* – is the knot in the ball of yarn. The point of departure of the discussion: the production of space as a reality oriented to the interests of capital, or the constitution of the city as a business, which does not mean we will find, in this reality, the end of such situation.

⁴³ "impossibility of carrying out a possibility, as an out-of-reach virtuality"



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The geography of drug trafficking businesses

Jorge Luiz Barbosa

Drug trafficking moves around R\$1.5 billion every year in Brazil and, at least, US\$400 billion in the global market, constituting an extremely complex economic network of production, circulation and consumption, especially due to the relations between the economic activities considered illegal and those regulated by the State and by international organizations.

The drug trafficking networks have elaborated a geography of economic, political and military powers that require a profound analysis, due to the various levels and agents that are involved and, evidently, to the illegal situations that are reproduced in their global actions. Given the dimensions of its complexity, this issue calls into question a research program aimed at unveiling the globalized capitalism of our time.

This chapter aims to identify the geography of illegal drug businesses, with Rio de Janeiro as our point of reference, especially with the expansion of cocaine trafficking and the intervention of armed groups who dominate the territory. This is an exploratory reading based on the contributions of theorists on this topic, reports by international organizations, especially the United Nations, studies by the Rio de Janeiro State Treasury Office and studies carried out by the Slum Observatory.

Drug trafficking as a global market of capital reproduction

Drug trafficking is included in a broad global criminal network that includes trafficking arms, people and human organs. This intricate web of relations is reproduced with its hubs in a set of cities that serve as the mediators for processes of financing, circulating and consuming criminalized drugs.

The drug trafficking networks have become increasingly complex, especially due to their relations with formal businesses in the market of global capitalism. *Mafias*, *camorras*, *cartels* and *yakuzas* have become, let us say,



"increasingly sophisticated" in their activities by weaving implicit (at times explicit) relations legally replacing their profits (popularly known as "money laundering") by acquiring rural and urban properties, by being associated with business companies, through banking and financial investments, notably in fiscal paradises, and even in football teams. As Castells claims,

[...] in global crime, the formation of networks among powerful criminal organizations and their associates, with activities shared all over the planet, constitutes a new phenomenon that deeply affects the economy on the international and national level, in politics, security and, ultimately, societies in general.¹

For Coggiolla,² the "narcoeconomy", far from being an underworld separate from the capitalist norm, has always been rigorously organized according to the parameters of the "market economy". According to this author, the objectives of the drug trafficking mafias have always been defined by the incessant pursuit of the market, the monopoly of prices and dominance of the more lucrative segments, establishing a typical economic performance of a capitalist company.

Labrousse³ claims that the so-called "underground" economies or "clandestine capitalism" are so extensive that they include everything from Colombian drug cartels to hundreds of mid-size organizations and thousands of "small entrepreneurs". The various legal companies can be added to the multiple types of actors identified, especially those located in the finance market, as co-participants of the profits from illegal drugs. There is not much doubt that a considerable part of the trillions of dollars from the global financial circuit originates in the markets dominated by criminal networks.⁴

Despite the multiple actors involved and scales of events that build the network of drug trafficking operations, there are, in fact, coordinated actions that associate the interests of the *narcoeconomy* in business areas and groups that are linked to the hegemonic expansion of the global banking and financial system. Lia Osório Machado pointed out, in particularly enlightening studies, the extensive money transactions from drug trafficking that circulates, in large part, through legal banking, and which challenges the monitoring by the Nation-States, including the regions farthest from metropolitan centers.⁵



This phenomenon can be empirically observed in the growth of deposit amounts in bank branches in cities in the Amazon, which are frequently higher than the GDP of the cities in which the agencies are located and, evidently, in the presence of the clients that justified the location of these banks. These companies participate, as Lia O. Machado claims,⁶ in money laundering from trafficking, making the legal economy find its *branching point* to include the illegal economy.

However, it is not only about a link between legal and illegal markets, but a broad field of illegal actions connected to "capital flight, tax evasion, contraband and other activities that aim to escape government control and regulation of the nation-states".⁷

In this aspect, international drug trafficking expands globally the moment it redefines the regime of capital accumulation, notably in the face of the economic-financial crisis of the central and peripheral Fordism at the end of the 1970s. Unemployment, inflation and the reduction of the Welfare State in central companies of capitalism, and their even more critical developments in peripheral countries, created the conditions for expanding the market for producing and consuming illegal drugs and, simultaneously, for drug trafficking to earn more space in the economies of countries that underwent *lost decades* (unemployment, inflations, political authoritarianism, income and land redistribution) such as in Latin America.

This is how regions producing coca for traditional use, such as Colombia and Bolivia, began to change their export agendas to illegal drugs. On the other hand, the turn of the accumulation regime towards the hegemony of financial capital found a formidable partner in the money coming from drug trafficking, the moment it becomes capital that emerges freely, like a magic trick, to circulate without regulations and with the compelling need for speed to metamorphose into pure money; without a homeland, without a nation and, above all, without control from the nation-states.

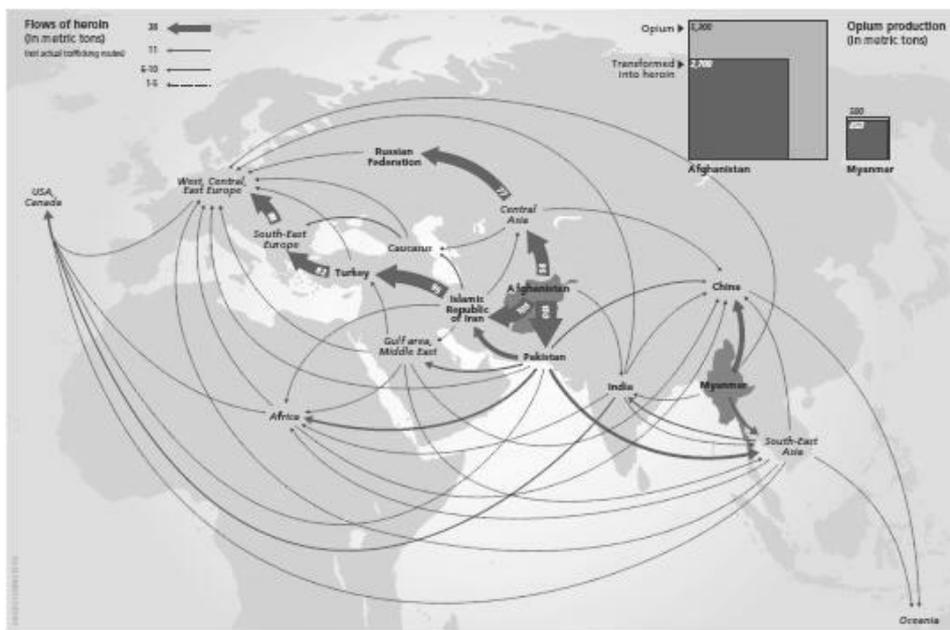
According to information from the International Monetary Fund, drug trafficking can be considered the fourth most important sector of the global economy,⁸ especially considering its extremely high profit margin around 3,000% of the initial capital employed. Its global dimension involves regions and



countries that produce and consume drugs on different levels of action in urban networks of distribution, financing and consumption.

In a panoramic view, we can consider regional/national scales to understand the spatial fragment of the global drug businesses, having as an example the circuits of production, distribution and consumption of heroin and cocaine.

In the heroin circuit, there are intercontinental geo-strategies that involve different countries from Asia and Europe. In this spatial fragment, heroin consumption reaches an annual flow of 450 tons in the global market, originating with opium produced in Myanmar and Laos, with around 70 tons per year, while the remaining volume, about 380 tons of heroin (and morphine), is produced from opium from Afghanistan.⁹ The distribution of heroin takes routes that cross the Balkans, making this region the main corridor for trafficking opium production in countries of Asia to the large markets of Russia and Western Europe.



Heroin trafficking routes Source: UNODC, World Drug Report, 2010.



The strategic heroin route through the Balkans crosses Iran (frequently via Pakistan), Turkey, Greece and Bulgaria, with its main destination being the

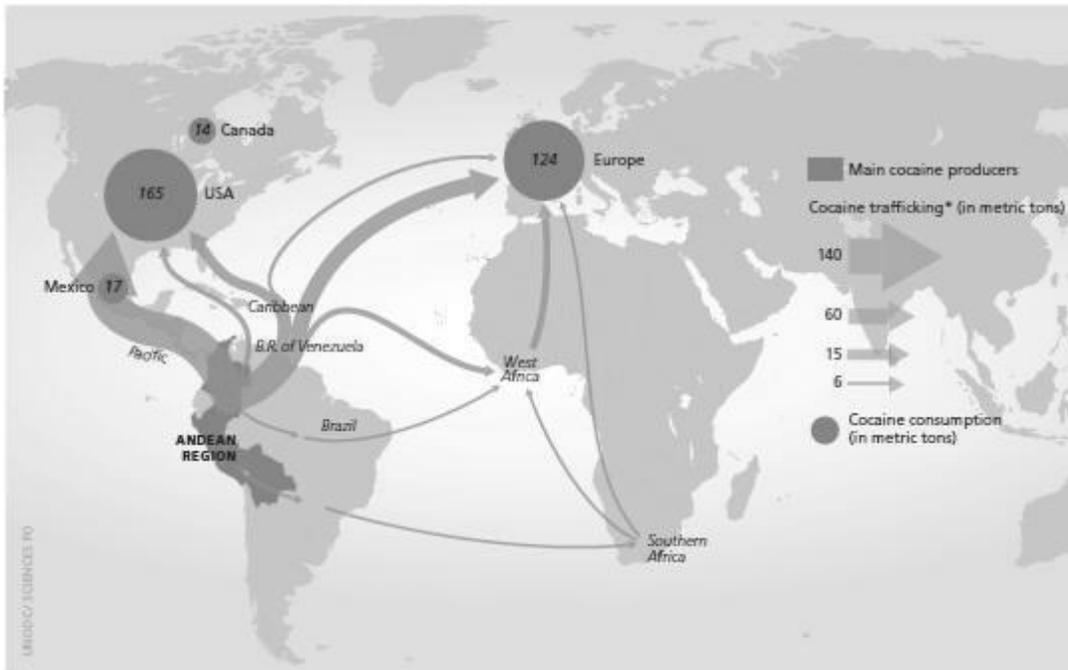
market of Western Europe and reaches an annual market value of around US\$20 billion. Another infamous route of the heroin circuit is from the North of Asia, mainly through Tajikistan and Kyrgyzstan (including secondary circuits through Uzbekistan and Turkmenistan) to Kazakhstan and to the Russian Federation, until arriving at the European market. This geography of the production/distribution/consumption of illicit drugs is marked by the flexible means for shipment and is operated by individual traffickers as well as by paramilitary groups, constituting different spatial tactics regarding location and distribution to supply drugs to the consumer market.

In the case of the cocaine circuit, the greatest production highlight was notoriously located in South American countries. Colombia, Bolivia and Peru include a regional production circuit of coca paste, also involving investments from Colombian cartels¹⁰ in plantations in their own country, as well as in neighboring countries, moving thousands of peasants in the precarious job of cultivating and harvesting coca.¹¹

The amounts of cocaine exports from Colombia and Bolivia were always higher in relation to the legal market. Information for 2006 guarantees that the export of cocaine reached the amount of US\$1.5 billion, against US\$2.5 billion of legal exports in Bolivia, and US\$4 billion for official exports of US\$5.25 billion in Colombia.

However, despite the amounts resulting from the commerce of trafficking in Latin American countries, the largest part is appropriated in the sphere of circulation and in the final destination of realizing illicit commodities, particularly the United States and Western European countries. The *international division of drug trafficking* reproduces the standards of the center/periphery relation under the auspices of capital and, due to the position of Latin American countries as exporters of primary products or beneficiaries (coca paste), enables a definition of illegal drug commerce as one more of the distinct faces of the economic *recolonization* of Latin America.





Cocaine trafficking routes. Source: UNODC, World Drug Report, 2010.

The market for cocaine consumption incorporates from 16 to 17 million people all around the world,¹² very close to the number of global opiate consumers. The United States and Canada were responsible for more than 40% of the global consumption of cocaine (the total was estimated at around 470 tons) in 2008, while the European Union consumed 27 million tons in the same period. These global markets account for more than 80% of the total value of the cocaine market, estimated at 88 million dollars for 2008.¹³ To attend to the North American market, the cocaine is normally transported from Colombia to Mexico or to Central America through sea and land routes to the United States and Canada. Regarding the European market, Colombia continues to be the main source of cocaine, but the direct shipments of traffickers from Peru and from Bolivia have become more common in Europe than in the United States.

The participation of Brazil in the drug trafficking network, especially in the cocaine market, became more evident in the 1980s. In fact, the introduction of the Brazilian market to drug trafficking businesses was the main factor for the rising rate of cocaine users in the South American continent. The growth of consumption in the Southeastern and Southern regions of the country, in the

past 20 years, in addition to becoming a relevant consumer market, made the country enter the itinerary of cocaine produced in Colombia (60%), Bolivia (30%) and Peru (10%), with Europe as its main destination. In this sense, Brazil not only contributed to broadening the Latin American consumer market but was also revealed as a strategic area of global redistribution for drug trafficking and, evidently, for broadening *branching areas* for money laundering and illicit commerce.¹⁴ It is precisely in this dual role that the city of Rio de Janeiro enters the drug trafficking business of cocaine (and marijuana).

Trafficking criminalized drugs in Rio de Janeiro

Rio de Janeiro has become decisively entrenched in the national and international context as a reference in the consumption and distribution of illicit drugs from the 1980s on, a period in which cocaine entered the market at an alarming rate and armed groups assumed the control of drug trafficking in different territories of the city.

Until then, Rio de Janeiro had a broad, though diffuse, retail commerce of marijuana, generally operated by small *criminal gangs*, whose territorial power was confined in working-class neighborhoods, especially in slums. As such, there were individual groups located on a local level, whose epicenter was the "drug spots", the hub for receiving, preparing and commercializing marijuana in surrounding slums and neighborhoods.

The owners of the "drug spots" were supported by, in addition to security guards, packagers for merchandise consumption, watchmen (look-outs) and dealers (sellers), constituting reciprocal connections based on rewards and punishment, which ranged from cash payment and rising in hierarchical positions to physical punishments and even death. Though the domain of each *drug spot owner* increased expressively in demarcated territories with offers in *local loyal markets*, marijuana trafficking, with respect to supply, tore through the city borders. The marijuana crops in the Northeast and in Paraguay became the main supply centers for "drug spots" in Rio de Janeiro, constituting a market of clandestine country/city relations, but with flows that were continuous, regular



and, without a doubt, lucrative enough to compensate the risks that involved the shipping operations (police corruption and border inspection/patrolling, apprehensions and cargo hijackings, surveillance and security structures, etc.) and defending the points of sale of their competitors.

In this aspect, the period in question is frequently generally treated as a *romantic era* of drug trafficking, generally with myths created around the prowess and audacity of a local boss, the *owner of the drug spot*, and his willingness to impose *order and morals* in the territories under his command. In other words, it was a kind of leader that was *respected and beloved* by the community of his locus of business. It is true that the boss generally originates in the community, being his first territorial reference. Therefore, his proximity to the community is very strong, since relatives, neighbors, classmates and soccer friends are subjects in the everyday life where the drug spot is located. Despite his close relations and purpose in ensuring *order* in the community and the *respect* of its residents, one cannot separate the *aims* of the coercive and violent means employed by trafficking, including building a clientele from favors and obligations under the arbitrary domain of the *slum owners*.

On the other hand, the local commerce and the diffuse organization of drug trafficking centered on marijuana underwent radical changes with the advent of cocaine. As indicated, cocaine moved in with greater vigor in the 1980s and, with this, we saw a rise in armed organized groups in increased territorial scales in the city, whose links to international networks dominated by drug trafficking cartels became stronger. Another kind of geography of the criminalized drug market in the city of Rio de Janeiro begins to be outlined, making it one of the most important business centers for international trafficking in Brazil.

The first major highlight for the new geography of illicit drug trafficking in the city of Rio de Janeiro is that of its position in the global network of consumption and distribution of cocaine. Rio de Janeiro was not only the privileged space of commercialization for user consumption, since it earned, though secondarily, the role of *redistributor* of cocaine for Europe, the United States and South Africa. Therefore, the city became more important and decisive in the trafficking business, evidently having implications for *business*



organization and for the domain of space as a strategic condition for realizing the market of criminalized drugs.

The expression "criminalized drugs" aims to distinguish the meaning of cocaine and marijuana commerce from other illegal activities in Brazilian cities. Michel Misse¹⁵ clarifies the issue by comparing the unequal treatment between cocaine and other illegal commodities (gambling, contraband drinks and cigarettes, prostitution, etc.), since direct agents as well as cocaine and marijuana users are the most pursued and penalized by the State, a fact that can be proven by the increased incarceration, especially over the past 10 years, of people directly involved in trafficking, independently of the position that they occupy in the business hierarchy¹⁶ and, more dramatically, in the number of "resisting arrest" claims, which have grown absurdly. Therefore, there is a set of social representations about certain forms and products of illegal commerce that define institutional and practical codes of repression that reach a greater or lesser degree of tolerance and establish typologies of moral, legal and political conviction and punishment. Misse also highlights these distinctions of culpability and conviction in the commerce of illicit drugs, considering that the

social accusation seems to privilege more those who operate in slums, low-income housing projects and peripheral neighborhoods of large Brazilian cities than those who act based on phone books and networks of relations of trust between users of the same middle class where they are from, residents of apartments and houses from high or middle income neighborhoods.¹⁷

The social conceptualization/representation of cocaine and marijuana as criminalized commodities account for the extensive criminalization processes against the different operators of illicit commerce and the territories under their control, reducing them to police cases and legal issues. This absolutely discretionary treatment contradictorily fed not only the clandestine nature of drug production and consumption, but the entire *complex of violence* that came to dominate the commerce of illicit substances in the country and in the city of Rio de Janeiro.

The advent of cocaine was accompanied, as is known, by the emergence of criminal factions in the city. The first of these factions went by the name of



Red Phalanx,¹⁸ whose main responsibility was to rob banks and armored cars of securities distribution companies. Soon after, this criminal group changed their name to Red Command and would change the direction of drug trafficking, with respect to the retail commerce of marijuana as well as cocaine.

It was the construction of an *economic-political-military* system¹⁹ that made the city of Rio de Janeiro a private space for businesses of international drug trafficking and which was made possible as a system organized into vertical and horizontal structures, with distinct forms and processes, though complementary in their daily actions.

The vertical structure of the system is composed of clandestine forms and processes of circulation that, by mobilizing road, air and water transportation, promotes the supply of illicit drugs from Andean countries. Rio de Janeiro, as a national metropolis, offers a dual status of consumer market and commercial outpost. However, it is not about dealing exclusively with a physical network of circulation available, though it is crucial, since a set of relations that involve fictitious, but legally constituted, companies are necessary, the complacency of fiscal authorities and, ultimately, all kinds of acts of police corruption, to install *branching areas* which ensure the increased production of drug trafficking businesses.

This clandestine network of *flows of distribution and compensation* would not be effective if it could not rely on the presence of actions in territories that shelter them. The criminal factions come in the picture as actors on different geographical scales of their businesses in the city, known to be supported in their power regarding delimitation and armed control of territories for the *operation* of trafficking criminalized commodities. Therefore, we see a horizontal structure of the drug trafficking system take shape, whose territorial settlement takes place through dominance in slums, as we will see in greater detail below.

The commercial system of criminalized drugs in the Rio de Janeiro capital moves between R\$316 to 633 million per year, values estimated by the study of the Treasury Secretary of the State of Rio de Janeiro.²⁰ The quantitative dimension of the drug trafficking businesses in the Rio de Janeiro market results from police, social and economic information from various sources, which also includes studies on operational costs with the logistics of

supply and self-protection, bribery and losses with police apprehensions, in addition to arms acquisition, munitions replacement and payment of recruits, which amounts to R\$121 million to R\$218 million per year (Table 01).

Table 01. Estimated (minimum and maximum) expenses of Drug trafficking

Income	316,699,291	633,398,583
Cost of Labor*	158,730,487	158,730,487
Cost of Sold Merchandise	96,936,874	193,873,749
Cost of Depreciation (arms)	24,777,720	24,777,720
Cost of Drug Apprehensions	9,693,687	19,387,375
Operational Excess	26,560,522	236,629,252

Source: *A Economia do Tráfico na Cidade do Rio de Janeiro*, 2009.

In the aforementioned study, it is possible to observe that, though it is a highly profitable business, the maintenance costs of the system are equally high. Left for the factions of local drug trafficking is around R\$130 million per year, the average between R\$26 million and R\$236 million profit calculated for the "more and less favorable scenarios" of the drug market, which is known to be unstable due to its clandestine nature. As Sérgio Ferreira and Luciana Velloso claim,²¹ there is an excess of R\$26 million that would leave few resources for the expenses of maintenance for unaccounted trafficking, especially to share with other agents that could provide broader support to businesses and the continuous expansion of areas for developing cocaine and marijuana commerce.

The authors also estimated the presence of 16,387 people directly involved in trafficking activities. Considering the calculations of the Police that pointed to 1.5% of the total number of residents in slums as linked to trafficking²² and the distinct ranges of compensation for those employed according to the Slum Observatory for the 2004/2006 period, it was possible to arrive at an estimated annual cost of labor around R\$158.7 million (Table 02).

Table 01 - Compensation for Employees in drug trafficking in Rio de Janeiro

Salary range*	MS considered	% Employees	Number of Employees	Annual Salary Mass
Less than 1 MS	0.5	8.7	1,426	2,919,938
1 MS	1	9.6	1,573	6,444,000
Between 1 and 3 MS	2	57	9,341	76,522,503
Between 3 and 5 MS	4	18.7	3,064	50,209,502
Between 5 and 7 MS	6	3	492	12,082,501

Between 8 and 10 MS	9	1.3	213	7,853,625
No information	2.4	1.7	279	2,698,418
Total		100	16,387	158,730,487

Source: *A economia do tráfico na cidade do Rio de Janeiro*, 2009.

*Real Minimum Salary Dec/05 = R\$314.35 - Source: IPEA Data

Among the greater and lesser risks and problems of the drug trafficking economy identified and calculated, it is necessary to add the competitors of synthetic drugs in the urban market, which has been constituted by middle class consumers and distributed by other *commercial agencies*. This has been contributing to the increasingly violent competition between criminal factions and, at the same time, crucial for the incoming crack in the Rio de Janeiro market, especially for low-income consumers due to the lower production cost and sale price.²³

Sérgio Ferreira and Luciana Velloso²⁴ also claim that the economic power of trafficking in Rio is not comparable to that of cities in producing countries, such as Colombia, or outpost countries for large international markets, like Mexico, making the drug market a field of intense disputes and confrontations between groups that work in it. In this context, in order to maintain their businesses in a continuous and profitable manner, it is necessary for the criminal factions to exercise strong control over the horizontal structures of the system, such as the geo-strategy of reproducing their businesses in the city.

Armed groups with control over territories and the war on drugs in the city of Rio de Janeiro

The criminal factions linked to drug trafficking have their paradigmatic mark of construction in the city of Rio de Janeiro. The first of them, the Red Phalanx, by reorganizing as the Red Command, gained their territory from their bases in marijuana spots. However, in this process, a radical change took place in terms of the territorial ordering of slums to guarantee and/or dispute their primacy in the drug distribution in the urban market.

These *spots* became organized as centers of the drug trafficking business, and, due to this attribute, implicated processes of extending the territorial domain in slums, now treated as a resource for receiving, treating and distributing cocaine and marijuana on the city level.

The location-distribution game of the geography of trafficking has formed an extensive and interconnected network of points in the slums which, in addition to operating in retail sales, also supplies other points in other slums of the same faction or "friendly" slums. Moreover, a particular technical division of labor is created, through which some slums are located in functions beyond receiving, preparing and selling drugs. We refer to receivers as having the role of "warehouse", whose function is to store the stock of arms and munitions of the faction, acting as a kind of *general barracks* for defense operations of territories or for invading slums occupied by rival forces.

Therefore, there has been a significant change in the logistics of the organization of drug trafficking, since it is no longer about defending positions of receiving and selling the past, but managing, controlling and, obviously, defending territorial positions and not, invariably, attacking and taking over rival spots. The *movement* of businesses with a monopoly over criminal operations ends up building an increasingly complex circuit of power, comprising from penitentiaries to slums and from slums to the city as a whole, including their extensive presence in the metropolitan region.

The popular term *movement*, attributed by the traffickers themselves to their criminal operation, is demonstrative of the degree of operationality of drug businesses. It particularly indicates the complex internal scheme of the functions of their hierarchies of command in the territorialization in the slums to dominate the urban market.

Movement on the local geographic scale of each slum, which develops towards the *asphalt* is, however, linked to a powerful network of cocaine supply coming from *coca plantations* and from refineries in Colombia, Peru and Bolivia. Wholesalers and retailers form critical commercial interconnections that involve mutual commitments of protection and defense intended to guarantee consumption in the capital and in other cities of the state of Rio de Janeiro, as well as shipments which are aimed for the global market of drugs.



The Red Command was, as was claimed, the first organized group that came to dominate strategic points of drug trafficking, establishing their territorial bases of power in Rio de Janeiro slums. However, the lucrative drug business stirred up internal rivalries causing cracks in the original faction. From the conflicts originating in the power disputes in the hierarchy of the Red Command, new factions during the 1990 to 2000 period emerge: Third Command; Third Youth Command and Friends of Friends.

In general, the criminal factions are organized in a complex web of activities hosted in the slums. In addition to the general command surrounding the leaders, there is a set of functions and attributes composed of the "owners", "managers" and "soldiers", soon after the tasks of those who prepare the cocaine and marijuana ("packagers") shipments are established; those who transport the shipments to other *spots* (smugglers); the guards ("lookouts"/"alarm sounders"); and the retail sellers (vapers), configuring a dense scheme of hierarchical power relations that are translated into long working hours (an average of 10 to 12 hours) and low income for the majority of those involved (1 to 3 minimum salaries).²⁵

For some authors, this web of characters and specific functions is interpreted as a *cohesive and centralized association*²⁶ due to its strong hierarchy; as well as a *criminal cooperative*,²⁷ not exempt from tensions and conflicts among their members. For Silva, Fernandes and Willardino²⁸, researchers from the Slum Observatory, the drug trafficking negotiations in working-class areas are defined as actions by *armed groups with territorial dominance*. For us, this is one of the most relevant and current contributions about the relations of drug trafficking command in slums, since the cited authors address regulating dominance with the use of violence to establish relations of cohesion, discipline and obedience among its members, and, in a more specific way, the use of territory as a vital condition for its continued reproduction.

Exercising each action in its differential scalar set becomes possible and effective when associated to armed control of the territory by criminal groups. The *division of labor in the trafficking business* necessarily implicated a spatial arrangement of relations that defined the *local architecture* of the drug trafficking economy, therefore demanding the mobilization of surveillance,



discipline and ordered control in the territory. Streets, alleys, stairwells, concrete decks become points of a cartography of local power of drug trafficking in slums, revealing uses of the territory under the aegis of violent criminality.

*O salgueiro está formado
Com o Fabinho e o Dá
Na mangueira Verde e Rosa
Coringa e Polegar
Lá na Serra tem o Bruxo
Na Santa Marta, Difé,
Marcinho VP no ar!*

(Funk song *Homenagem aos Donos de Morro do CV* - Banned in the 1990s.)

The dominance of space through the demarcation of territories became crucial for the realization of this *movement*, since it guaranteed reproduction in the drug market in the slums and their ramifications in the city. It is about territorial bases providing protection and guarantees for carrying out the reception, preparation and distribution of illicit drugs necessary for expanding the retail market in the city.

Nonetheless, it is necessary to go beyond the slums in order to understand the trafficking business, its actors and its complex network of operation. This is the important contribution of Misse,²⁹ by questioning the generic definition of "organized crime" for the so-called underground economies (informal and criminal), since this would be more likely to account for the concealment than for the exposure of criminal organizations, especially in the case of drug trafficking, where nuances of practices by its actors correspond to the spatialities in slums, low-income housing projects or peripheral neighborhoods, as well as in middle and high class neighborhoods, gated communities etc. Therefore, one must consider that the relations in the drug trafficking network are intertwined in a cartography of actions by an extensive and plural retail commerce, constituted of an *archipelago of places* in the diversity of working actors and, given their underground nature, with mobile, improvised and flexible tactics of urban reproduction.



The question of territorial control becomes increasingly critical with the divisions inside the original faction, especially due to the heated and equally violent disputes for points of commerce. To illustrate this, we recall the contributions of Robert Sack³⁰ about the concept of territoriality to understand with greater precision the importance assumed by the dominance of space in the practices of power that involve the political economy of drug trafficking in Rio de Janeiro.

According to the author,³¹ territoriality is about "the attempt by an individual or group to affect, influence and control people, phenomena and relationships, by delimiting and asserting control over a geographical area". In dealing specifically with a criminal territoriality, one can say that this is a practice of power, which is affirmed by using social coercion, normative discretion and bodily violence to build authoritarian modes of space regulation.³²

The struggle of *territorialities* involving actors from distinct criminal factions has become a brutal mark of confrontations in slums, being the *geographical area* under dispute by armed groups. In fact, the struggle for dominance of Rio de Janeiro slums included the dispute for positions of privilege in the drug market in the city, in a situation of disseminating points of sale due to the division of drug trafficking into rival groups.



Slums dominated by factions in narcotrafficking

The disputes established in the competition of the drug market are resolved by force of arms, especially in an environment in which *criminalized markets* pursue greater rates of profit. Therefore, the dispute for markets includes homicides for firearms in the city, forming one of the strongest characteristics of drug commerce: the systematic use of lethal violence.

The violent confrontations that overtook the slums were not exclusive to trafficking groups. Defending territory also had its scenes of warlike confrontation in the face of police action aimed at military confrontation of drug trafficking and, soon after, by the emergence of militant groups³³ that began to dispute the control of slums, housing projects and working-class neighborhoods on the periphery of the city.³⁴

Soon enough the consolidation of power of the armed groups connected to illicit drug trafficking in the city would receive as a response the militarization of their combat by police forces. The war on drugs, claimed by the middle classes and the more conservative media, created an environment for using political-ideological situations of violence that, without a doubt, served to legitimize indiscriminate police operations against traffickers and their territories. One of the most violent periods in the history of the city was launched, whose most tragic consequences were present in the working-class regions (slums and peripheries) which came to be treated like the *enemy territory*.

In the confrontation between the police and groups that operate in drug trafficking in the slums, there is no consideration for the fundamental rights of the population. As such, around 1.2 million residents of the city of Rio de Janeiro are treated like the civil population of the enemy army. These citizens, in this situation, are condemned to inevitably suffer the consequences of a supposedly fair war on drugs, which is confirmed on its own, with no chance of being questioned.³⁵

The policy of *military repression against drugs* conducted by the state government promoted, together with the dispute of territories between criminal factions, an *arms race* for the warlike confrontation in slums and working-class peripheral neighborhoods. It is with this *race* that arms trafficking gained ground in the illegal economy of the city, also making it a market that came to rival cocaine trafficking, in terms of volume of money earned with this business.³⁶



The tragic result of the armed confrontations elevated the homicide rates, resistant vehicles and *disappearing people* in the capital and in the state of Rio de Janeiro. In fact, the number of homicides rose to dramatically intolerable levels, forming an *epidemic of violence*, a designation that international organizations have come to use to classify the violation of the right to life in Brazilian cities.

Table 03. Murders in the city of Rio de Janeiro 1990/2008.

Year	Homicide Rate p/100 thousand inhabitants	Year	Homicide Rate p/100 thousand inhabitants
1991	63.3	2000	46.9
1992	64.6	2001	41.2
1993	67.8	2002	45.3
1994	73.9	2003	42.4
1995	67.6	2004	43.4
1996	55.5	2005	38.6
1997	50.8	2006	39.0
1998	37.5	2007	38.5
1999	41.7	2008	31.7

SOURCE: Secretary of State Security of Rio de Janeiro, 2014.

Therefore, it is possible to consider that in the scope of the war on drugs, the State and criminal factions shared a common logic: the pursuit of the concentration of means and instruments of violence to impose their strength on their *aggressor*, making slums a territory for lethal confrontations.

The escalation of urban violence: social consequences of the police-military combat against drug trafficking in the slums and in the city

The slums are repeatedly represented in a vulgar way, especially with definitions that take into consideration only their needs and wants. These definitions are characterized by various aspects: by the land and/or urban irregularities; by the deficiency of the infrastructure; by the occupation of areas subject to floods, mudslides or other types of risks; by the high density of the settlements and buildings together with the precarious structure of the housing units; in addition to the insufficient public services in general, mainly those of sanitation, education and health.

The stereotypes of wants and needs that dominated the representations of the slums in the common sense gained perverse company: the stigma of



violent and criminal territories. These stigmas, which have become recurrent, obviously result in the notorious presence of criminal factions in the slums dictating arbitrary and violent rules of territorial control.

However, what is presented to us as obvious has much deeper explanations. To this end, we must point out that the inability and lack of interest of the State in being present in the slums, permanently and in a sovereign way, in order to guarantee and implement fundamental rights, enabled armed groups to build an authoritarian process of affirming their territorial dominance, imposing their presence on the communities based on armed force, constituted as orders of local collective practices as well. Therefore, the slums cannot be considered violent territories, but territories more vulnerable to the violence of criminal groups and the actions of the military-police corporation of the State.

The policy of security supported in military operations of combat against drug trafficking made slums the "enemy territories", in which confrontations with higher rates of fatality, swift executions and violations of civil rights became part of the daily life of their residents. The insecurity and fear began to contaminate the daily life of the city, making many appeal to private security, gated communities, shopping centers and bulletproof cars as an exclusive way of personal and family protection. The urban social interactions became increasingly restricted, conservative and individualistic, in a city where life was trivialized in determined territories of the city and, ultimately, absolutely depreciated in its human essence.

The decisive milestone of the disastrous policy of combat against drug trafficking of the State was the action in the Alemão Complex in June of 2007. In the police invasion, aimed at repressing drug trafficking, 19 people were officially killed, in addition to dozens injured and a large number of rights violations. The failure evidenced by the *war on drugs* forced the Rio de Janeiro State Governor to create, in the second semester of 2008, the Peacekeeping Units (UPPS, acronym in Portuguese),³⁷ present today in 38 slums of the city.

It is unnecessary to claim that confrontations and hostilities between criminal factions have become intolerable, as well as the arbitrary action of the police in the slums. Nonetheless, the *slum pacification* (slogan loaded with discretionary judgments in relation to the slums as stages for war) have been



expressing the recurring position that the policy of security is, in the first instance, an attribute of the police institution. In this sense, the UPP project, despite the expressive reduction of the armed confrontations in the territories they occupy, have been reduced to one more expression of the state order in the slums under the rule of police power.³⁸

There is agreement with respect to the immediate need to reduce the armed confrontations in the slums and especially to guarantee the full rights of citizenship to their residents. Therefore, the presence of the State to ensure the lives of the inhabitants of the Rio de Janeiro slums was a pressing decision. However, it is not possible to agree that public policies can be implemented by means of military-police occupation, as much as the confrontations exist in the slums and peripheries. As such, it is unacceptable that the policy of reducing violence be dissociated from the consistent and long-lasting social policies of implementing social rights. After all, fulfilling the legitimate demands of the residents in working-class areas is the role of a State that intends to be Republican and the most effective way to confront violence that involves the actions of drug trafficking in slums and in the city.

Final considerations

We conclude that the anti-trafficking policies by the police, the courts and the penal system have not been able to stop the growth of crimes linked to drug trafficking businesses. However, the counterpart of these policies were the severe violations of human rights and the growth of lethal violence, particularly in the slums and urban peripheries. Despite the criticisms and proposals by international organizations and civil society organizations for effective changes in the treatment of the economy of criminalized merchandise and its most direct consequences, we urgently need a renewal of institutional guidelines and instruments that decisively guide the state agencies responsible for confronting drug trafficking in the country.

In the alluded propositions, those defended by the UNODC stand out, especially emphasizing the field of decriminalization as the most effective in facing drug trafficking:

1. The decriminalization of drug consumption can be an effective form of "decongesting" prisons, redistributing resources to allocate them to treatment and facilitate the rehabilitation of users.
2. The decriminalization of personal consumption, already applied in various countries, assumes that the use of drugs be subject to alternative sanctions to incarcerations, such as fines or treatments.
3. Decriminalization does not represent legalization or free access to drugs, which, according to those treated, can only be used for medical and scientific purposes, but not recreational. Therefore, consumption would continue to be sanctionable (with fines or obligatory treatments), but would no longer be a criminal offense.
4. Reclaiming the original spirit of the international treaties, which is centered on health, since the greater purpose of the treaties is not to wage a "war on drugs", but to protect the "physical and moral health of humanity".
5. Human rights must always be respected when fighting against drugs, with the application of the death penalty considered unacceptable for offenses of trafficking or consuming narcotics, such as what occurs in various countries in the world.
6. Preventing use, reducing damages and user treatment should be at the basis of policies of institutional decriminalization and regulation of drug use, including alcohol and tobacco and not only those considered hallucinogens.

Measures that can establish the control and regulation of the banking and financial system are equally important, restricting their transversal relations with drug trafficking. Similarly, social public policies that guarantee access to land and credit to thousands of peasants and rural workers involved must be implemented, for lack of economic alternatives, in the production of coca, marijuana and opium, among other cultivations, connected to drug trafficking. Therefore, the most consistent policy to face drug trafficking is to operate precisely on the activities that sustain it and not exclusively on the combat of traffickers. Therefore, beyond the usual defense and control of borders between



countries as an instrument of repression of drug trafficking, it is necessary to act on the extremes of the drug trafficking network, especially based on the effective processes of international collaboration and the national policies that decidedly operate on the complex geographical scales of the illicit and criminalized businesses of drug trafficking. We advocate for a new paradigm for confronting the networks of drug trafficking, especially with the participation of civil society and its organizations in the process of superseding criminalization and banning that has brought inexpressive results in terms of reducing the commerce and use of drugs, but which were accompanied by tragic social and human consequences.

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¹ Castells, 1999, p. 208.

² Coggiola, 1996.

³ Labrousse, 2004.

⁴ The deregulation of buying and selling money, credit supply and issuing titles created the current hegemony of the financial system in the global economy. On this path, the expanding flows and volumes of capital short-term money in the market created the *volatile and speculative global capital*, which feeds off of various instruments of commercial credit, treasury bills, bank deposits, real estate values and money from illegal activities, such as drug trafficking.

⁵ Machado, 1995; 1996; 2011.



⁶ Machado, 1996.

⁷ Machado, 1995.

⁸ After financial speculations, it is certainly trafficking that is the main global business, given that it moves around 400 billion dollars per year in different countries and regions of the world. In comparison, it is an activity that loses only to the computer industry (450 billion), but beats out the second most dynamic global industry, pharmaceuticals (206 billion), in addition to having infinitely greater profit margins.

⁹ UNODC Report, 2010.

¹⁰ Despite the combined actions of the United States and the Colombian State in cracking down on cartels, they never stopped existing though they had lost the political, economic and military strength that they had.

¹¹ The coca planters in Colombia, Bolivia and Peru receive around 2% of the final price of the drug, and the transporters no more than 8%. The profit is concentrated on those that control access to the markets in North America and Europe (source: C. Edwards, director of the anti-drug policy of the European Commission, Interview with *O Globo* newspaper, September of 2009).

¹² UNODC, 2007/2008.

¹³ Idem, *ibid.*

¹⁴ Brazil's entrance into the "drug economy" has also taken place through selling chemical products used in the process of producing cocaine in laboratories located in cities and villages in Colombia, Bolivia and Peru.

¹⁵ Misse, 2007.

¹⁶ According to information from the National Penitentiary Department (DEPEN, acronym in Portuguese), from 1995 to 2010, the incarcerated population tripled. Today, there are more than 500 thousand inmates in Brazilian penitentiaries. Over the course of this period, the profile of the inmate has changed: more than 15 years ago, the crimes that lead the majority to prisons were for property crimes (theft or robbery). Currently, more than one fifth of inmates are from drug trafficking, a number that has been increasing every year.

¹⁷ Misse, 2007, p. 141.

¹⁸ Organization created in the Ilha Grande Prison, in the 1970s, with the objective of protecting and supporting the inmates of prison institutions in Rio de Janeiro.

¹⁹ Misse, 1996.

²⁰ According to *A economia do tráfico na cidade do Rio de Janeiro: uma tentativa de calcular o valor do negócio*, by Sérgio Ferreira and Luciana Velloso, 2009.

²¹ Ferreira, S; Velloso, S., 2009.

²² With this official information, one can conclude that the supposed conspiracy and/or participation of slum residents in "organized crime" is a social stigma absolutely devoid of concrete foundations.

²³ Until the 2000s, crack was a hallucinogen for poorer social groups, especially due to its almost insignificant price. Produced from the refined remains of cocaine, crack has a growing consumer market in middle class youth.

²⁴ Ferreira, S; Velloso, S., 2009.

²⁵ According to the Slum Observatory. *Path of children, adolescents and youths in the network of drug trafficking in retail in Rio de Janeiro 2004/2006.*

²⁶ Amorin, 2003.

²⁷ Souza, 1996.

²⁸ Silva, Fernandes and Willardino, 2008.

²⁹ Misse, 2007.

³⁰ Sack, 1986.

³¹ Idem, p. 19.

³² The pirating of electricity, TV signals, gas, etc. despite involving lower risks than trafficking, requires armed territorial control in order to prosper. It can thus become a form of diluting fixed costs of activities that need violence in order to be reproduced.

³³ Militiamen are paramilitary groups composed of police officers, ex-police officers and firemen that dominate territories in slums and housing projects, notably in the neighborhoods of the Western Zone of the city. The militia control services (clandestine cable tv, gas distribution, public transportation such as vans and moto-taxis), operate in activities of contraband merchandise and prostitution, in addition to charging security fees from local merchants.

³⁴ The Red Command dominates slums with a total of 377 thousand inhabitants. The Friends of Friends and the Third Command operate in slums that have, in total, a population of 180 thousand inhabitants. The militia are present in slums with a population of 422 thousand inhabitants; The Peacekeeping Police Units installed in the slums from 2006 on cover areas with a total population of 142 thousand inhabitants. (Department of Justice, 2011)

³⁵ Silva, 2012, p. 86.

³⁶ Importing arms into Rio de Janeiro has among its main providers the military industry of the USA, whose entry points are located in Paraguay, Argentina, Uruguay and Bolivia, with itineraries on the Brazilian side of the border that include cities such as Foz do Iguaçu and Uruguaiana. The use of arms of military combat such as AK47 and AR15 rifles and the use of automatic pistols substituted the 38 revolver in confrontations between the factions and between them and the police.

³⁷ The "peacekeeping units" originated in the experience of community policing in cities such as Boston (USA), Medellin and Bogota, Colombia), among other cities that gave innovative responses to the issue of criminal violence.

³⁸ The occupation of the UPP enabled the slum residents to have basic rights in their everyday life: the assurance that they will not have their life regulated by the authoritarian power of armed groups and that they will not live in situations of confrontation. It is in this sense that the approval of the UPPs has been significant, in the face of the dominant groups in the city - media, business associations; third sector organizations - as well as among working-class groups. There are, evidently, various criticisms, especially on the part of social movements and community groups, especially due to the daily relations of the police with the residents - especially the youths - regarding the embarrassing and intimidating, at times violent, approaches (see the case of Amarildo in the Rocinha and other residents in slums). In addition to authoritarian actions of regulation of the territory (banning dances and parties, notably those linked to funk, regulation of commercial and service activities, bans on transportation in vans and moto-taxis). On the other hand, it is necessary to add that the UPPs have not extinguished the commerce of retail drugs in the slums. In fact, this was not even their main objective, because their focus is centered on reducing carrying weapons and military confrontation, thus shifting the monopoly of violence to the State.

