Political Disorganization and Problems of Scale

# São Paulo Metropolis

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The village of São Paulo de Piratininga was founded in 1554 by Jesuit missionaries seeking to convert Indians to their faith, at the rim of Brazil's great Central Plateau beside the inland-flowing Tietê River. The village soon became the cutting edge of Portuguese frontier penetration of the continental interior, as bandeirantes hunted for gold and native slaves. Over the past five centuries the flood-prone village of poor thatched huts became a town, the town became a city and the city became a metropolis, undergoing rapid metamorphoses. São Paulo remained a primitive place until the coffee boom of the late 19th Century, when it became the main supply and trading center and railroad hub serving the expanding plantations of the interior and then an industrial powerhouse in the 20th Century. The population of Metropolitan São Paulo mushroomed from only 31,000 in 1870 to18 million today, growing by 5% yearly, the fastest long-term rate of big-city growth in human experience. This is twice as fast as the growth of Berlin, the leader of Europe's accelerated urbanization in the 19th Century, whose population expanded by 2.6% yearly, from 170,000 in 1800 to four million in 1925.

São Paulo today is a turbulent ocean of waste and contradiction, its great vitality challenged as never before by problems of scale and political disorganization. According to United Nations estimates, São Paulo is virtually tied with Mexico City and Mumbai (Bombay) for second place among the world's giant cities, the three of them far behind Tokyo with its 26 million people. As a result of rapid urbanization in the late 20th Century, only eight of the 30 biggest cities lie in the rich countries today, as opposed to two-thirds of them as recently as 1950, a shift marking human progress. "Growing urbanization is another indicator of growing wealth in the form of food supplies that can carry larger non-agricultural populations," J.M. Roberts observed in The Twentieth Century (1999). "Many have starved since 1901, but many more have lived. To speak of them as enjoying wealth may seem paradoxical to any visitor struck with dismay on discovering the slums of Cairo or Calcutta. Yet humanity now has at its disposal a greater abundance of resources than ever." The big question is how these resources are used.

"The city will increasingly become the test bed for the adequacy of political institutions," the United Nations said in a new report, Instanbul+5: The Urban Millennium. "Burdened with all the problems of growth, cities are increasingly subject to dramatic crises, especially in developing countries. Unemployment, environmental degradation, lack of urban services, deterioration of existing infrastructure and lack of access to land, finance and adequate shelter are among the main areas of concern."

The political disorganization of Greater São Paulo is embodied in 39 municipalities spread over some 8,000 square kilometers. At the core of the metropolis is the giant Municipality of São Paulo, itself with 10 million people, capital of São Paulo State, embracing one of the world's richest agricultural regions. This essay analyzes the weaknesses in São Paulo's political structure and suggests some paths of reform that would make its problems of scale more manageable.

São Paulo has been a leader of the worldwide trend to urbanization in the 20th Century while clashing with higher standards of wealth and social justice. It has evolved into a multi-centered metropolis, akin to Los Angeles, Houston and Atlanta, less dependent on its old business core, with the appearance of a new generation of spectacular office towers, luxury apartment buildings and shopping malls in other areas, as prospering businesses migrate from old factory and office buildings, their walls darkened by decades of soot. The metropolis keeps expanding. The first section of a 170-kilometer Ring Road, designed to ease truck traffic among Brazil's regions and clogging of Greater São Paulo's streets, is to be finished in 2002. The Ring Road has led to land speculation and major construction projects near its limited-access entry ramps, including hospitals, hotels, cargo distribution centers, warehouses, factories and a dedicated Food Town cluster for suppliers to McDonald's restaurants.

The frantic paving of streets, the opening of new traffic arteries and continuous addition of tunnels and cloverleafs cannot keep up with the proliferation of motor vehicles, from 55,000 in 1950 to one million in 1980 to five million today, not including the 375,000 motorcycles used mainly by messengers ("motoboys") recklessly weaving their way through traffic jams. There are few maps of the city's underground infrastructure, so work gangs often unexpectedly drill into gas, sewage, water and power lines, causing leakage of poisonous gases, explosions and flooding. For the rich, São Paulo has the world's second-largest helicopter fleet (450), smaller only than New York's, in a market growing by 20% annually over the past three years. On the ground, wealthy men, their wives and children seek refuge from the perils and inconveniences of the metropolis in an expensive infrastructure of armored cars, bodyguards and protected condominiums.

Because São Paulo never was damaged by war, unlike most European cities, it could pursue its precarious life-style on an ever-greater scale. Survival rates have increased. As an indicator of human welfare, infant mortality plunged from 124 per 1,000 live births in 1940 to 16 in 1999. The Municipality of São Paulo runs 244 public health stations and hospitals providing three million consultations each year, in addition to services of a parallel medical system operated by the state government. Since the late 1970s, the share of population served by piped water rose from 50% to 99% while the sewage network grew to cover 88% of homes, against only 39% in 1978. Real wages rose since 1994, when the Real Plan stopped chronic inflation. Greater São Paulo is the main market for Brazil's meat production from the world's largest cattle herd and one of its biggest poultry industries. Brazil's per capita beef and poultry consumption is more than the rich countries´ average. While Brazil has a very unfair pattern of income distribution, with the richest 10% of the population absorbing 47% of the monetary stream, it would be very hard for the richest 10% to eat meat in proportion to its share of earnings, so poorer people must be eating meat as well. In São Paulo the share of homes with washing machines increased from 46% in 1992 to 60% in 1999, while by now nearly all families have refrigerators and television. From 1972 to 2000, on the periphery of the metropolis, 825 clandestine land subdivisions formed 105,102 illegal house lots, many occupied by from three to five families each on the banks of reservoirs and other land protected by environmental laws. However, many areas invaded by

squatters building precarious shacks have become vibrant if amorphous communities linked to the city's core by crowded traffic arteries and commercial districts, studded with supermarkets, schools, bus terminals and hospitals, as well as thousands of small businesses –bakeries, hairdressers, pharmacies, gas stations, bars and construction materials suppliers. Above all, São Paulo is an ocean of little houses and little streets, evoking what Samuel Johnson said of London in 1763: "Sir, if you wish to have a just notion of the magnitude of this city, you must not be satisfied with seeing its great streets and squares, but must survey the innumerable little lanes and courts. It is not in the showy evolutions of buildings, but in the multiplicity of human habitations which are crowded together, that the wonderful immensity of London consists."

While the quality of public services is poor amid great disorder, it is a great leap forward from what existed 10 or 15 years ago. In recent decades, São Paulo developed excellence in finance, engineering, mass communications, medicine, manufacturing, marketing and fashion. But this excellence is undermined by demoralizing episodes of corruption, prison revolts, failing public education, truck hijackings, armed robberies and murders at traffic lights. Meanwhile, because of demands for justice, problems of scale and pressures on weak political institutions have grown.

**Migrations**

All great cities are built with migration. Throughout the 20th Century São Paulo attracted huge flows of migrants, mainly from Europe and Brazil's Northeast, seeking a better life, but also from Japan, Korea, Syria, Lebanon, Nigeria, Angola, Argentina, Peru and Bolivia. Newcomers are especially vulnerable to calamities such as the annual floods brought by summer rains clogging small channels that drain the sprawl of impermeable paved surfaces.

In Faust's Metropolis: A History of Berlin (1998), Alexandra Richie observed that, like São Paulo, Berlin "was built by its coarse inhabitants and its immigrants, and became powerful not because of some Romantic destiny but because of its armies and its work ethic, its railroads and its belching smokestacks, its commerce and industry…." As in São Paulo of the 1920s, more than 60% of Berliners in 1900 were immigrants or children of immigrants. As with the poor migrants from Brazil's drought-prone Northeast who built shacks on the hills and ravines of São Paulo's periphery in the mid-20th Century, waves of famine-stricken peasants and weavers a century earlier fled the sandy fields of Prussia's eastern provinces to build tent cities on the bloated outskirts of Berlin, which became "the biggest working-class slum on the continent."

This is an old story. All the world's great cities, from ancient Rome to London and Paris a century ago to New York and São Paulo today, bred huge gaps between wealth and poverty. Great cities always have been hard to manage. Like many complex systems, most cities develop spontaneously but demand management to avoid degeneracy and disintegration. A time comes in the lives of big cities that the need for regulation and rational allocation of space, money and other resources prevails over impulsive processes. Long ago São Paulo reached the stage in its hectic growth when this transition should have taken place.

One of the main hopes for Greater São Paulo today is that its population growth has slowed dramatically since 1980, absorbing fewer migrants, making it possible for authorities to invest more in improving the quality of life. In the 1970s, the share of migrants from Brazil's poorer regions in São Paulo's population rose from 13% to 19% and has stabilized at that level since then. Meanwhile, São Paulo's upper-income population has remained in the city, not fleeing to the

suburbs as it has in older big cities such as London and New York. The metropolis of Greater São Paulo generated a gross domestic product (GDP) in 2000 of $147 billion, equivalent to one of the world's 30 biggest national economies, one-fourth of Brazil's total output and one-third of the GDP of the New York metropolitan area. In terms of purchasing power, per capita income in the metropolis is roughly half that of the United States and twice Brazil's average.

São Paulo differs from most of the world's other giant cities in that it is neither an imperial nor a national capital. Tokyo and Mexico City, for example, are national capitals with status of self-contained states within their countries' political structure. The 10 million people of the Municipality of São Paulo, only 6% of Brazil's population, pay 28% of all of Brazil's taxes, a share that rose during the 1990s, even as the bulk of these revenues are transferred to poorer states and municipalities of Amazônia and the Northeast which pay few taxes and are over represented in Congress in proportion to their populations. While the Municipality of São Paulo transfers a huge share of revenue to state and federal governments, it also spends the third-largest public budget in Brazil, smaller only than those of the federal government and São Paulo State. However, local taxes are low for a metropolis of its size and unmet needs. São Paulo collects 2.5% of its gross product in municipal taxes, against 5% in New York and Tokyo. Because of low local taxation and meager transfers from the federal government, São Paulo has lacked the public investment that usually benefits a political center while trying to absorb previous waves of poor migrants just as, after 1980, electoral democracy was being installed and chronic inflation escalated throughout Brazil. To place in perspective these problems of scale and institutions, as well as the injustices and inefficiencies they nourish, this essay will examine the problem of political structure in more detail.

**Political Disorganization**

São Paulo's rapid and colossal growth dwarfed its capacity for institutional development, leading to political disorganization and many-faceted failure to manage problems of scale. Adaptation to problems of scale was stalled by confused and overlapping political authority and by the lack of educated people to manage a complex metropolis. At its simplest level, the confusion is embedded in a maze of superimposed administrative districts that blur lines of responsibility. Lacking clear boundaries, communities are amorphous. They have no direct political representation. Civil society is fragmented and weak. Most current talk of São Paulo's political disorganization focuses on corruption. Some of the main scandals are:

l In December 1998 a city inspector attached to the Regional Administration of Pinheiros, controlled by Councilman (Vereador) Paulo Roberto Faria Lima, was arrested while extorting $20,000 from a woman seeking authorization to open an exercise gym. Under questioning the inspector revealed that he belonged to a bribery ring run by Faria Lima who, according to prosecutors, demanded $120,000 monthly from his gang by shaking down city contractors, street vendors, owners of illegal kiosks and bars, violators of zoning rules and eating places subject to sanitary regulations. Investigations spread to other districts, leading to arrest of roughly 100 persons and indictment of 200 others. Three councilmen were convicted.

l The Municipality of São Paulo alone has some 65,000 streets coursing over 14,000 kilometers, 86% of them paved, from which 13,000 tons of garbage must be removed daily. Many scandals and political controversies focus on garbage collection, street cleaning contracts and concessions to private companies to operate public bus services over this huge network.

l Mayor Paulo Maluf (1993-96) and his chosen successor, Celso Pitta (1996-2000) broke away from the national system of supporting municipal health services, Sistema Único de Saúde (SUS), to create a cooperative network of doctors and hospitals, Plano de Atendimento de Saúde (PAS), sacrificing large federal financial transfers to municipalities participating in SUS. In 1999, São Paulo received only R$8 million in SUS funds, against R$426 million for Rio de Janeiro and R$250 million each for Belo Horizonte and Porto Alegre. During the first three years of the PAS system, municipal health spending tripled but PAS nevertheless accumulated deficits of R$2 billion. Widespread corruption led to overpricing and kickbacks that increased the cost of routine purchases by 300%-400%, in addition to unnecessary buying to create opportunities for kickbacks and for theft of medical equipment. Meanwhile, the cooperatives amassed unpaid debts of R$424 million.

l In São Paulo's 21 municipal cemeteries, 70,000 burials take place every year. The Municipal Funeral Service has been accused by police of engaging in a kickback ring with funeral parlors, flower shops and a telephone call center, in cahoots with three councilmen, for price-gouging of bereaved families in selling them coffins, flowers and burial services.

l In May 2000 the federal government bailed out the Municipality of São Paulo, assuming debts of $5 billion, to be repaid over 30 years at below-market interest, one-fifth of which was borrowed fraudulently by Mayor Paulo Maluf to pay debts incurred in lawsuits (precatórios). But the money was diverted for other purposes. São Paulo municipal officials advised governments of other states in financial engineering of fraudulent borrowing, executed through a ring of small banks and brokerage houses.

This kind of corruption belongs to the history of big cities almost everywhere, especially during periods of fast growth, and has its costs. Problems of scale make inspection and supervision difficult, contributing to corruption. In New York, construction of the Brooklyn Bridge was authorized in the 1860s only after promoters delivered a bribe of $60,000 in cash to the boss of Tammany Hall, William H. Tweed, who also got controlling stock in the company that built the bridge, empowering him to get jobs for followers and kickbacks from contractors. São Paulo differs from New York in its highly competitive political environment, unlike the one-party machine that ran New York for so long. However, Boss Tweed might have been proud of the catchphrase of supporters of Maluf and of Adhemar de Barros, a mayor in the 1950s: "Rouba mas faz!" ("He steals but he does things!") As Commissioner of Public Works, Tweed authorized extensive sewer, water and gas pipelines, hired excellent engineers and told them to build the best. In New York as in São Paulo, businessmen bribed officials to get police protection, lax enforcement of health and housing codes and profitable concessions to provide public services. The big difference between politics in New York and São Paulo is that, over the past century, New York's elites led several waves of reform that have managed to curtail if not end corruption, while São Paulo's elites complain but do nothing.

Complaints often focus on the impunity of corrupt politicians. Review of public spending is in the hands of the Accounts Tribunal of the Municipality (TCM), which functions along the lines of accounts tribunals at the federal and state levels, as called for in Brazil's constitution. They give well-paid jobs to semi-retired politicians with no professional qualifications for auditing government accounts. Members of the accounts tribunals usually are appointed by presidents and governors, collaborating with their legislatures, in full confidence that they will cause them no auditing problems, even though staff accountants may discover serious illegalities. The five

members of São Paulo's TCM are four former city councilmen and a former chief of staff of Mayor Paulo Maluf. Their docility in reviewing the city's accounts was rewarded with a fourfold increase in the TCM budget in 1992-99.

Viewed broadly, political disorganization in São Paulo arises from failure to deal with questions of scale and local responsibility, magnified by three problems: (1) a local administrative and political structure that breeds venality and confusion; (2) overlapping roles of São Paulo's state and municipal governments, and (3) the anti-metropolitan bias in Brazilian federalism.

**1. Local politics**

All 55 councilmen are elected at-large to the São Paulo City Council, with the whole city as their constituency and without responsibilities to specific local electorates. Each is entitled to hire a personal staff of 21 "advisers." Between elections every four years, the essence of politics among most councilmen is to raise money to finance the next election campaign and to wrestle for power within the incestuous political class.

The powers of São Paulo's City Council were expanded when a new municipal charter was passed in 1990. The big change was the removal of the 90-day statutory time limit (decurso de prazo) within which the City Council must vote on the mayor's legislative proposals to avoid them automatically becoming law. Until then, the mayor could employ a small group of allies on the City Council to use delaying tactics to extend deliberations beyond 90 days. The City Council also gained powers to amend the budget and to authorize the mayor to shift outlays at his discretion. Under the new charter, the mayor badly needs a working majority on the City Council to govern São Paulo effectively.

Brazil's fragmented and undisciplined political party system has made it hard for both federal and municipal executives to develop stable legislative majorities. No São Paulo mayor since 1990 was elected with a City Council majority. Each mayor is forced to opt for spot market dealing to get support for each measure needing City Council approval. Sometimes this works. Mayor Luiza Erundina de Sousa of the leftist Workers Party (PT) made deals with the City Council that raised property taxes by 125% in 1991 and by another 52% in 1992. Or the mayor can build a working majority by distributing jobs and areas of influence among the councilmen and their allies. The main way of building a stable coalition of councilmen is distributing among them control of the 28 Regional Administrations and jobs in decentralized agencies.

Regional Administrations, used by mayors since the 1950s to gain or reward loyalty, are responsible for such tasks as street cleaning, maintenance of municipal infrastructure, enforcing sanitary and zoning regulations, issuing construction and occupation permits and licensing new businesses. The city has 1,000 pages of land-use zoning regulations, which are changed at will by councilmen to meet the demands of supporters. The Regional Administrations place politicians in frequent and intimate contact with local voters, contractors and other businessmen, expanding chances for harvesting graft and electoral support. In 1993, Maluf won City Council approval to increase the number of Regional Administrations and then won discretionary spending powers over 10% of the municipal budget.

Many cities are run this way. The difficulty of this kind of management in São Paulo is the problem of scale, compounded by the disorganization bred by a crazy quilt of overlapping and irregular districts with different functions as defined by federal, state and municipal authorities,

confusing and clouding the lines of access and accountability. The Municipality of São Paulo first was divided into districts in 1944 and now embraces 96 districts, grouped into 28 Regional Administrations. Overlapping these designations are countless other administrative and planning units created by federal, state and municipal agencies, including 10,190 census districts, 103 police precincts, 270 planning units for the subway system, 41 electoral zones, 19 water and sewage divisions and hundreds of state and municipal school districts. The boundaries of these political and administrative units rarely coincide. Many of them were created to accommodate political allies or the personal convenience of bureaucrats. Communities of 200,000 or 300,000 people within the municipality lack clear territorial definition. Nor do public agencies regularly share information. “Each agency has its own culture, nomenclature and procedures that have nothing in common with other agencies,” observes Aldaíza Sposati, a PT councilwoman and former Municipal Secretary for Regional Administrations. The Military Police, which patrols the streets and responds to emergencies, rarely exchanges information with the Civil Police, in charge of investigations. Within the municipal government, the Finance Department cannot obtain information on the property tax base from the Housing Department, concerned only with the legal status of property and businesses. Who can manage all this? Who is responsible?

**2. The state and the metropolis**

Contributing to the political disorganization of the metropolis is the blurring of responsibilities of the state and 39 municipal governments, especially that of the City of São Paulo. In the half-century before the world economic crisis that began in 1929, São Paulo’s state government made bold investments in the modernization of its economy and society, especially in areas of interest to the coffee trade. Rapid progress was made throughout the state in developing public health and statistical services, basic sanitation, agricultural research and education. The federal constitution of 1891 gave states exclusive taxation rights over exports, industry, real estate and the professions. Fed mainly by coffee export taxes, São Paulo collected the lion’s share of Brazil’s public revenues and created the nation’s first modern bureaucracy. At the same time, the state quickly amassed huge debts as it tried to subsidize both immigration and coffee production. These debts sowed the seeds for decades of chronic inflation and, combined with the transfer of tax revenues to other regions, for the failure to make critical public investments as the metropolis grew and disputes multiplied over responsibilities of the state and the city.

This confusion over responsibilities is dramatized every year with the flash floods that follow summer rains. The Jesuits founded the village of São Paulo in 1554 on a headland between two rivers to escape the floods that even then attacked the river valleys during the rainy season. The rains clog the small channels and streams that drain the immense sprawl of impermeable paved surfaces into the beds of the big rivers, the Tietê and the Pinheiros, flooding the main roads that run along the river banks, causing colossal traffic jams that back up cars, trucks and buses in different places for a total of 120 kilometers. Stranded motorists wait on the roofs of their cars to be rescued by police helicopters while others try to swim or wade to safety. Every year the floods generate saturation press coverage and dramatic scenes on television news programs. Every year the politicians are blamed for not doing more to control flooding. Mayors and governors fight over whether the flooding problem belongs to the municipality or the state. The law says that river management is the state’s job while the sewers and channels feeding the main rivers are the city’s responsibility.

The floods are just one example of overlapping city and state responsibilities. While state and municipal hospitals and maternity clinics proliferated, both legal rights and collection of vital statistics are restricted because registry of births and deaths in poor areas is made difficult since 18 of the city's 58 registry offices (cartórios) are located outside the neighborhoods that they are supposed to serve. The state government, not the city, sets jurisdictions of cartórios.

The most glaring failures of government in Greater São Paulo are in public security and education, where state authorities have exclusive or dominant responsibilities through huge bureaucracies of 120,000 people in the police and 300,000 in the state school system. Management burdens on this scale have meant poor supervision of these bureaucracies, especially at their lower levels. At these levels pay is low, training is poor, turnover high and performance-related incentives missing from daily routines.

While the population of the metropolis increased by one-third in 1985-99, the number of homicides rose by 144%. The 11,460 homicides recorded in Greater São Paulo in 1999, most of them arising from trivial disputes, equaled two-thirds of the 17,000 murders committed that year throughout the United States, with a population 16 times bigger than Greater São Paulo's. Even more shocking than the number of homicides is the tolerance of homicides. Sample studies show that few murder cases are investigated, only 5% of them are solved and roughly 2% of killers go to jail. In 1999 Greater São Paulo registered 170,000 car thefts and 157,000 armed robberies, a tripling of these crimes since 1985. Of these armed robberies, 11,126 of them occurred on the 9,699 public buses that circulate on 797 routes among the city's 2,489 bairros (neighborhoods). However, only 23% of armed robberies are reported to police and enter official statistics, according to a survey by Datafolha.

Legal responsibility for public security in São Paulo is invested in two rival state police forces together employing 120,000 men and women, burdened by perverse incentives and accusations of corruption. We define perverse incentives as the devices of law and custom rewarding behavior that undermines the stated purpose of institutions. Perverse incentives divert resources and motivation from local police responsibilities for preventing crime into bloated bureaucracies and swollen units of shock troops inflicting unnecessary civilian casualties. Officers of the Civil and Military Police receive little or no management training for the scale and complexity of their operations. Perverse incentives mean that bureaucracy reproduces itself, as career police bureaucrats who never served in the field are favored in high-level promotions over officers who excelled while commanding units in dangerous areas. Perverse incentives govern a system of pensions that absorb nearly two-fifths of the budget of São Paulo's Department of Public Security. The Military Police alone supports some 35,000 pensioners, or nearly one for every two men on active service, with 1,400 serving first sergeants and almost 14,000 retired ones. There are 53 serving colonels while another 1,000 collect pensions.

Greater São Paulo's problems of scale also appear in public education. Most of its 10.7 million people between the ages of five and 39 are engaged in some kind of classroom activity, either as students or teachers. The Municipality of São Paulo alone operates more than 800 kindergartens and primary schools with some 800,000 pupils. Complementing and overlapping this huge municipal network, roughly the size of New York City's, the state government of São Paulo runs its own parallel system, embracing another 900,000 pupils in primary instruction and some 500,000 in secondary education, within the Municipality of São Paulo. These numbers represent a big effort to bring marginalized children into the public schools. Of the 4.1 million

students in primary and secondary education in Greater São Paulo, less than 14% are in private schools, a share that has fallen fast in recent years as building of public schools in the periphery expanded enormously. However, the problems of scale are daunting. The state government, with sole responsibility for public secondary education and absorbing two-thirds of primary enrollments, runs schools for three million pupils among the 39 municipalities of Greater São Paulo, part of a statewide system of seven million students and 300,000 employees. This poses colossal management challenges at present levels of human capital. Qualified teachers are scarce. Low pay forces many of them to teach in three schools in the same day, often starting at 7 a.m. and finishing at 11 p.m. Pupils get no homework assignments and little reading instruction. Absenteeism and turnover of teachers, principals and supervisors are chaotic and promiscuous, with shifting of assignments often taking place in the middle of the school year, confusing pupils and interrupting classes, according to the perverse incentives of a complex promotion system.

**3. Brazilian federalism and the cities**

In its constitution of 1988, Brazil created one of the world's most decentralized federations, granting municipalities legal equality with the states and the federal government. The privileges of Brazilian municipalities stand out against the weakness of local governments in many other democracies. In the United States, the states can create or abolish municipalities at will. India's constitution does not even recognize the existence of municipalities. In most of Latin America, municipalities lack autonomous taxing and legislative powers. In Brazil, however, the share of municipalities in all public revenues rose by half under the new constitution, thanks mainly to transfers from the federal government. According to Anwar Shah, a World Bank specialist in federalism, "Brazilian municipal governments should be the envy of all local governments, in both rich and poor countries."

The problem with Brazil's new federalism is its anti-metropolitan bias that neglects the big cities. The share of Brazilians living in towns and cities grew from 36% in 1950 to 81% today. Brazil's 14 cities with at least one million people contain one-third of its total population of 170 million and its heaviest concentration of social problems. They also produce 85% of Brazil's GDP, roughly the same share as the metropolitan regions of the United States. But federal transfers to municipalities go mainly to small towns that collect few taxes from their own people. The town of Sena Madureira (population: 23,000) in the remote Amazon state of Acre receives federal transfers amounting to 10 times local taxation, while São Paulo receives transfers equal to only 0.4% of municipal revenues. Brazil's big cities are under-represented in Congress and lack a political framework for dealing with metropolitan problems.

**What to Do?**

Big cities need continuous adaptation. The political structure of Greater São Paulo badly needs democratic reform. Changes are needed to create conditions for better management of the size of the metropolis and more local responsibility. We know that reforms bring difficulties and frustrations. They usually are attempted in times of desperation. In her book, Mayors and Money: Fiscal Policy in New York and Chicago, Professor Ester Fuchs of Columbia University observed that "fiscal problems find a prominent place on the political agenda only when banking interests threaten to exclude cities from the bond market; then cities attempt to restructure their policy processes to deal more efficiently with the problem of scarce resources." Just as Brazil could not continue living under decades of chronic inflation without risking disintegration of its economy

and society, the metropolis of São Paulo cannot continue to live with its present political structure without plunging deeper into violence and confusion. The price of negligence can be very high, as Brazil's current electricity shortage shows.

A number of innovations in metropolitan government come to mind. All present difficulties.

Some now are being discussed:

1. Sub prefectures: In the 1950s Mayor Wladimir de Toledo Piza proposed creation of 19 sub prefectures, or boroughs, in a new territorial division of the city to promote "polynucleation of the urban agglomeration by local polarization of the anxieties, interests and aspiration of inhabitants of the neighborhoods." The sub prefectures would correspond to metropolitan subdivisions called ku in Tokyo and delegaciones in Mexico City, where communities elect local leaders directly.

The idea of creating sub prefectures was abandoned in the 1960s with creation of the first regional administrations, only to be revived with the election of PT Mayor Luiza Erundina in 1989. The City Charter of 1990 provides for creation of sub prefectures to replace the regional administrations, but this measure was never implemented. All mayoral candidates in the 2000 election supported new initiatives to create sub prefectures, but disputes continue over implementation. Reform of the decentralized regional administrations is needed to combat endemic corruption and to serve local communities better. The basic issue is: How can the sub prefectures go beyond a mere renaming of the regional administrations that would preserve the same distortions? The debate focuses on whether sub prefects should be elected or appointed by the mayor, and what powers should be invested in the Representative Councils of each sub prefecture. Elected mayors and city councilmen are wary of creating rival power centers and of restricting their capacity to formulate and execute policy.

2. Metropolitan Authority. Greater São Paulo needs some kind of metropolitan authority to deal with endemic regional problems such as public security, flood control, basic sanitation, garbage disposal, transportation, education and the environment. However, metropolitan management in Brazil so far has achieved little. Before passage of the 1988 constitution, which strengthened the powers of states and municipalities, only the federal government could create metropolitan regions.

In 1994 São Paulo's state legislature established rules for creating metropolitan authorities to operate on three levels. First, a Development Council, with representation shared equally between the state and member municipalities, would be responsible for planning, setting priorities, formulating budgets and distributing financial responsibilities between the state and municipal governments. The Development Council should create thematic commissions of technicians and politicians to work on specific problems. A Metropolitan Agency would be the executive arm of the Development Council, contracting and supervising public works. A Metropolitan Fund would be the financial arm of the Development Council, empowered to receive transfers from municipal, state and federal authorities and to borrow and lend for specific projects.

Under these guidelines, metropolitan authorities were created for the clusters of municipalities around the port of Santos (1996) and the inland city of Campinas (2000). The experience of Santos showed some of the difficulties. Three years passed before regulations were approved in 1999 for operation for the metropolitan agency. Some mayors regularly delayed transfers to the Metropolitan Fund, fearful that the metropolitan agency would become a useless

bureaucracy paralyzed by political infighting. Then the state government also suspended its contributions to pressure delinquent municipalities to meet their obligations.

Metropolitan management also clashes with politicians´ impatience with slow development of economic and geological studies, aerial mapping and master plans, needed for long-term public investment. Many mayors want quick approval of "impact" projects that will impress voters. Big metropolitan projects can impose unfunded mandates on municipalities, such as expansion of a trunk highway into the Santos region, which forced towns to build feeder roads and install new traffic lights. However, the Santos metropolitan authority also has performed useful work in planning garbage disposal, a public health program to control dengue, integration of the region's network of state and municipal hospitals and transfer of the port of Santos from federal control to management by a consortium of state and municipal governments.

The proposals for metropolitan management of Greater São Paulo are akin to those tried with the Greater London Council. In A History of London, Stephen Inwood notes: "Only between 1965 and 1986 did London have an administration, the Greater London Council (GLC), which covered most of its built-up area. But the GLC…lacked the range of powers needed by a true urban government, and never managed, in its short life, to overcome the political and administrative fragmentation that has characterized London's government since at least the 16th Century." However, even before the directly elected GLC was created, London, unlike São Paulo, had its own independent water and transport authorities and police force. One of the GLC's main successes was in flood prevention, building the huge Thames Barrier in 1975-82. Like São Paulo, the GLC tried to build a system of ring roads to ease its traffic congestion, but failed in the face of opposition from local residents. As with São Paulo, traffic snarls contributed to the exodus of manufacturing industry from London, even though a subway system seven times larger than São Paulo's eased traffic jams somewhat. Inwood concludes: "The GLC was squeezed between the central government, which had a strong tendency (especially in the Thatcher years) to reclaim powers for itself, and the boroughs [sub prefectures], which had taken advantage of the GLC's weakness to increase their own autonomy."

A metropolitan authority in São Paulo would face similar problems. The fiscal and organizational crisis could mobilize energies to rebuild city government. Or São Paulo could stagnate and resign itself to poverty and disorder, abandoning its role as one of the world's great cities. We know by now that there is no perfect and final formula for administrative reform of big cities. We must follow a path of continuous evolution and adaptation to manage problems of scale and strengthen local responsibility. Here are some suggestions:

**1. Harmonize district boundaries**

A joint effort of municipal, state and federal authorities can end the confusion in political and administrative management of local communities in Greater São Paulo. Most overlapping district boundaries can be redrawn by administrative decisions without legislative action. Municipal, state and federal officials should meet to define and cluster operational districts with populations of from one to two million each to achieve economies of scale without overloading management capabilities.

**2. Create new municipalities**

Once district boundaries have been clarified and consolidated, voters can decide whether it would be in their interest to transform their district into a municipality to gain more local control over their affairs. Only by exercising local control through political institutions can citizens expect to improve key services such as schools and public security. This will mean more control over taxing and spending. In democratic government, taxing power and spending power cannot be separated without generating inefficiencies and political instability.

**3. Raise taxes**

Now that the new PT Mayor of São Paulo, Marta Suplicy (2001-05), has stopped protesting against the new Fiscal Responsibility Law (FRL), which disciplines public finance at all levels of government in Brazil, she is pursuing opportunities to raise taxes. While the Municipality of São Paulo collects half as much in taxes as Tokyo and New York as a share of economic activity, with New York highly dependent on the fortunes of Wall Street, São Paulo has a much more diversified economy on which to develop an efficient tax base. São Paulo is not taxed lightly, with federal, state and local taxes totaling 28% of the city's GDP, compared with 20% in Paris and London. However, less than one-tenth of these taxes go to the city. Moreover, the city's taxes are distributed to the periphery in much the same way that federal revenues are distributed to the poorer states throughout Brazil, highlighting one of the harsh facts of democracy. As poor as public services in the periphery may be, they are worth more than what these outlying communities pay in taxes. One of the slogans of the struggle of the United States for independence from Britain in the 18th Century was: "Taxation without representation is tyranny." The slogan also can be inverted to read: "Representation without taxation is a farce." Taxes need not be high to command more effective political representation. If, for example, the city's many thousands of bars, the scene of so much violence in the periphery, were licensed are taxed by the city in the same way that motor vehicles are licensed and taxed by the state government, there would be more money available for better recreational and educational facilities in the periphery.

The City of São Paulo's most contentious financial problem is not the FRL, but its municipal debts that the federal government generously assumed in 2000, requiring repayment over 30 years within a ceiling of 13% of revenues at interest of 6%-9% yearly, far below market rates. During the 1990s the city paid almost no debt service, allowing balances to multiply as capitalization. Under the FRL, these debts cannot be renegotiated. However, by abandoning the corrupt PAS system and adopting federal public health programs, the city stands to recover nearly half its debt service in transfers from Brasilia.

The fiscal pressures are forcing the city to raise taxes. Property taxes would go up by 21%, supplemented by a new sanitation tax and increased levies on services. There also are ways to raise revenue by moderately taxing hotels, airports, bars, cell phone relay towers and billboards. However, to gain acceptance for new taxes, a political structure must be created to guarantee credible increases in the quality and quantity of public services.

**4. Federal aid for metropolitan areas**

One way to promote cooperation among metropolitan municipalities would be through the offer of federal support for investment for projects impacting several contiguous communities, to solve common problems as in pollution control, building expressways and improving public transportation. This money should be disbursed only in cases where municipalities can present a joint investment project, which in turn could give birth to long-term processes of cooperation.

While the federal budget already is heavily committed to constitutionally mandated spending, the National Bank for Economic and Social Development (BNDES) could finance these investments. This is a more pragmatic way to act than in traditional attempts to create public agencies of metropolitan coordination, which in the past failed for lack of money, political disputes and lack of management capacity. The participating municipalities would be required to commit their own funds as well, providing a greater incentive for cooperation to assure success.

**5. Statehood for Greater São Paulo?**

In the long run, if the City of São Paulo can consolidate its districts and other municipalities of Greater São Paulo see the need to join forces in carrying out metropolitan functions, the citizens of the metropolis eventually might consider seeking statehood in order to assume more local power and reduce the scale of public administration.

Statehood for the big cities of the world occurs in many countries. Spain's 17 largest cities are "autonomous regions." Cities such as Hamburg and Bremen are city-states within Germany's federal system, their independence rooted in traditions of municipal autonomy that arose in medieval Europe. In the 17th Century, according to the historian J.H. Elliott, "the city of Barcelona, thanks to its wealth and its privileges, was almost an independent republic, a second Venice, linked to its Count, now king of Castile, by only the slenderest of ties." Metropolitan Tokyo, before it became the world's largest city, was granted statehood in 1943, governing 26 central ku (districts) and 31 surrounding municipalities. Mexico City performs functions similar to other Mexican states, divided into 16 delegaciones, akin to Tokyo's ku, and elects its own governor. For Greater São Paulo, the prospect of statehood presents big advantages and obstacles:

**Advantages**

- The new state of Greater São Paulo would be empowered constitutionally to collect state value-added taxes (ICMS—Imposto sobre Circulação de Mercadoria e Serviços), which yields much more revenue than existing municipal taxes.
- The new state of Greater São Paulo would be entitled constitutionally to receive much more federal transfers than are currently sent to the Municipality of São Paulo.
- The new state of Greater São Paulo would elect three senators and roughly 35 members of the Chamber of Deputies to correct in part the under-representation of the heavily populated Southeast, and especially metropolitan areas, in Brazil's Congress.
- Statehood for the metropolitan region would reduce the scale of public administration to focus on local problems. Operating on a smaller scale, serving a population of 18 million instead of 35 million, would enable metropolitan government to focus on quality, reorganizing and strengthening police and public education, replacing the poor services of huge and badly managed state bureaucracies (120,000 police and 300,000 education employees). Statehood would integrate today's parallel and overlapping municipal and state school systems.
- Statehood for Greater São Paulo would create a metropolitan authority to deal more coherently with regional problems of transportation, flood control, sanitation and pollution.
- Statehood would facilitate decentralization of decision and management of community issues such as maintenance of streets and parks, garbage collection and zoning regulations.

**Obstacles**

- Congressional delegations from the poorer regions of Brazil would continue to resist strenuously correction of the parliamentary under-representation of metropolitan regions. However, some room for negotiation would be provided by the proposed creation of two new states in Amazônia currently under discussion.
- Even if the government of São Paulo State would accept creation of a second state within its present borders, settlement would have to be reached on how the present state's huge debts to the federal government would be shared between the old and new state.
- Metropolitan São Paulo remains dependent on the present state's prison facilities. São Paulo State holds roughly half of Brazil's prison population of 115,000, not counting the 12,000 prisoners, awaiting trial or already convicted, who crowd detention pens in police stations in the metropolitan area for lack of space in the penitentiaries. In February 2001 the biggest rebellion in the history of the world's prisons erupted in 25 of São Paulo's state penitentiaries, involving 23,000 inmates and 4,000 hostages, led by a sophisticated criminal organization that seized control of the prisons. Prison revolts have become so frequent, and the need to move rebellious prisoners among penitentiaries ever more urgent, that the most sensible long-term solution would be to federalize state penitentiaries along with a strengthening of the Federal Police already begun.

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While statehood for Greater São Paulo may be remotely possible, discussion of the idea helps to clarify the scale and scope of the structural problems of governing the metropolis. In São Paulo millions of people in their daily lives are struggling to sustain the weak fabric of order and morality. They need an institutional framework to sustain their efforts. The political structure of the metropolis does not meet this need, nor does it support economic efficiency. São Paulo's human infrastructure remains much weaker than its physical infrastructure. In the 21st Century, mankind is struggling to overcome the threat of institutional failure in managing problems of scale. These problems of scale appear in the proliferation of financial assets and information flows as well as in the size of enterprises, cities and nations. Sudden changes in the scale of human activity breed institutional demands for applications of knowledge in the form of capital-formation, adaptation, and management. Institutional failure under pressures of scale threatens relapse into more archaic forms of civilization and mortality. Some cities will sustain and speed their development, mastering higher levels of knowledge and organization, while others sink deeper into disease, violence and confusion. So far, São Paulo has been blessed in the conditions of its growth and survival. As the evolutionary biologist Stuart Kauffman observed not long ago, "life evolves toward a regime that is poised between order and chaos…. I suspect that the fate of all complex adapting systems in the biosphere –from single cells to economies— is to evolve to a natural state between order and chaos, a grand compromise between structure and surprise." However, evolving on the frontier between order and chaos, between structure and surprise, may expose us to risks that a civilized society should seek to reduce by investing in our capacity for adaptation.