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Globalization and the informalization of the urban space¹

Elmar Altvater²

Cities reflect in geographical space the class and gender structure of a historical society, the ethnic, religious and racial cleavages, the emergence of informal structures in labour, money and politics¹ and last but not least, the global context on a local scale. Therefore, they can best be understood as ‘glocalized’ spaces. The global, informal city therefore distinguishes itself from the industrial city of the nineteenth century and the ‘Fordist’ city of the twentieth century, although informality in these urban spaces is not at all unusual. Three megatrends seem at first glance to be responsible for this outcome: urbanization, globalization and informalization, and their mutual articulation. In the following sections I will briefly deal with each of them before concluding with an attempt to identify their aggregate potentiality.

First Megatrend: Urbanization

Cities first came into existence during the Neolithic Revolution – culture arises from agriculture, as Nicholas Georgescu-Roegen aptly points out.² Cities were centres of culture, markets for the exchange of agricultural surplus, communication (the annual markets, the ‘kermesse’ were always information markets), the arts and science. Rulers – religious, military and political – always had their homes in cities. The land was ruled from the city, in order to skim the cream off the agricultural surplus. Otherwise the land followed its own daily and seasonal rhythms. Large parts of the land were well beyond the reach of the cities anyway (‘Russia is big and the Tsar is far away’, as the popular saying goes), and well into the twentieth century, the vast majority of the population lived on the land and from the land.

Modern urbanization begins with the industrial revolution. The new industrial areas in middle England, the Ruhrgebiet, Upper Silesia and the industrial belts from Chicago and Detroit to the Great Lakes have a very recent history. The accumulation of capital produced the ‘spatial fix’ (David Harvey) of urban agglomeration. The geography of the industrial era is a different from the previous time. And the more the industrial system expanded, and the more agriculture was industrialized, the fewer people were needed on the land. Eric

* Paper related to a guest lecture given at Research Center on Development and International Relations in October 2004.

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Hobsbawm in his *The Age of Extremes* writes that in the 'short twentieth century from 1917 until 1989' only one revolution actually occurred: For the first time in human history, a minority of mankind worked in agriculture and the great majority in industry.³ Independence from the products of land and from solar energy triggered the massive move of peoples from the countryside into the cities. The industrial revolution is based on the trinity of fossil fuels, European rationality and technical devices, and the transformation of money into capital. This revolution also created the modern juxtaposition of countryside and city, the growth of urban agglomerations and the de-population of rural areas, the concentration of wealth and power in the cities and their diffusion in the countryside, the emergence of global economic, social, military, cultural networks with nodes; that is, the development of global cities and empty spaces (i.e., the 'rest of the world') with regard to political power and economic wealth.

In the early phase of capitalism, landless and jobless people were forced by the state into work or reform houses where they were prepared for the discipline of manufacturing and industry. Later this was no longer necessary; the working people adjusted to the new disciplinary order with their own rhythms of space and time. The cities were attractive compared to the 'idiocy of rural life', and un-rooted masses were drawn into them. Marx and Engels in the *Communist Manifesto* described this process emphatically as the progress of the bourgeois world compared to the old narrow-minded feudal system. The growth of the cities exceeded their ability to absorb, so that many people ended up not in industry but rather in what we today refer to as the informal sector. Cities as they expand typically develop a three-tiered arrangement: The well-ordered quarter for the urban elite with high income and good infrastructure; the extreme opposite is to be found in the 'favelas', the 'bidonvilles' or 'shantytowns' and bairros or barrios of the poor and excluded, poorly situated and with precarious living conditions. Incomes here are often derived from the exploding informal sector (even though this term only comes into popular use in the 1970s) and illegal or criminal activity. The third quarter is for the official, formal labour force, who live in developments or complexes in the tradition of the Bauhaus-architecture of Gropius or of Corbusier's living machine. They emanate the spirit of mass production, mass consumption, mass inhabitation, and mass fabrication of buildings as well as of massive natural exploitation. The three-tier city, however, today belongs to the past due to the disappearance of Fordist stratification. Instead, a two-tier order is emerging: a city of the informals and a city of the rich, in most cases divided from each other by protected walls surrounding gated areas.

During the last 50 years the number of people living in cities increased from 740 million to 2.9 billion. On average nearly every second person is living in a city, and the number of big cities (of more than a million inhabitants) is increasing. In

1950 there existed only one metropole with more than 10 million inhabitants in the world, New York with 12.3 million; in the year 2000 there were already 19, and the number for 2015 is estimated to be more than 20.

Table 1:
The Megacities of the World – from 1950 until 2015 (population in millions).

| 1950 | | 1975 | | 2000 | | 2015 | |
|----------|------------|-------------|------------|----------------|------------|----------------|------------|
| City | Population | City | Population | City | Population | City | Population |
| New York | 12.3 | Tokyo | 19.8 | Tokyo | 26.4 | Tokyo | 26.4 |
| | | New York | 15.9 | Mexico City | 18.1 | Bombay | 26.1 |
| | | Shanghai | 11.4 | Bombay | 18.1 | Lagos | 23.2 |
| | | Mexico City | 11.2 | Sao Paulo | 17.8 | Dhaka | 21.1 |
| | | Sao Paulo | 10 | New York | 16.6 | Sao Paulo | 20.4 |
| | | | | Lagos | 13.4 | Karachi | 19.2 |
| | | | | Los Angeles | 13.1 | Mexico City | 19.2 |
| | | | | Calcutta | 12.9 | New York | 17.4 |
| | | | | Shanghai | 12.9 | Jakarta | 17.3 |
| | | | | Buenos Aires | 12.9 | Calcutta | 17.3 |
| | | | | Dhaka | 12.3 | Delhi | 16.8 |
| | | | | Karachi | 11.8 | Metro Manila | 14.8 |
| | | | | Delhi | 11.7 | Shanghai | 14.6 |
| | | | | Jakarta | 11 | Los Angeles | 14.1 |
| | | | | Osaka | 11 | Buenos Aires | 14.1 |
| | | | | Metro Manila | 10.9 | Cairo | 13.8 |
| | | | | Beijing | 10.6 | Istanbul | 12.5 |
| | | | | Rio de Janeiro | 10.6 | Beijing | 12.3 |
| | | | | Cairo | 10.6 | Rio de Janeiro | 11.9 |
| | | | | | | Osaka | 11 |
| | | | | | | Tianjin | 10.7 |
| | | | | | | Hyderabad | 10.5 |
| | | | | | | Bangkok | 10.1 |

Source: *Global Trends* 2002, p. 104.

In most countries of the world the share of urban population increased, as the demographic trends collected by UNDP clearly exhibit.

The impressive trend towards urbanization exerts a decisive impact on the social structure and on social as well as human development. Only a few aspects can be addressed here. First of all, the ecological consequences of urbanization are extreme, due to a progressive increase of energy combustion, consumption of agricultural and mineral resources and waste production. The city requires massive surface area, energy, and disposal sites for urban emissions (garbage, waste air, sewage). Even a vertically-oriented city like New York requires a huge surface area to supply water, groceries and energy and dispose of sewage, waste air and garbage from its 70-plus-story skyscrapers; the assumption that a city concentrated on a small surface area grows only upwards is an illusion, emanating from high prices of real estate. The New York principle is no better than the Los Angeles principle. As a rule, urban life leaves large ‘ecological footprints’. Paradoxically, however, the ecologically devastating waste

production creates income opportunities for garbage collectors and therefore widens spaces for the development of the ‘informal sector’.

Table 2:
Share of urban population as percentage of total population.

| Country | Urban Population | | |
|--------------------|-------------------------|------|------|
| | 1975 | 2000 | 2015 |
| United States | 73.7 | 77.2 | 81.0 |
| Japan | 75.7 | 78.8 | 81.5 |
| United Kingdom | 88.7 | 89.5 | 90.8 |
| Germany | 81.2 | 87.5 | 89.9 |
| Argentina | 80.7 | 88.2 | 90.2 |
| Chile | 78.4 | 85.8 | 89.1 |
| Mexico | 62.8 | 74.4 | 77.9 |
| Russian Federation | 66.4 | 72.9 | 74.0 |
| Colombia | 60.0 | 75.0 | 81.3 |
| Venezuela | 75.8 | 86.9 | 90.0 |
| Thailand | 15.1 | 19.8 | 24.2 |
| Peru | 61.5 | 72.8 | 77.9 |
| Ecuador | 42.4 | 63.0 | 69.4 |
| China | 17.4 | 35.8 | 49.5 |
| Indonesia | 19.4 | 41.0 | 55.0 |
| Bolivia | 41.3 | 62.4 | 69.9 |
| India | 21.3 | 27.7 | 32.2 |
| Pakistan | 26.4 | 33.1 | 39.5 |
| Bangladesh | 9.9 | 25.0 | 34.4 |

Source: UNDP 2002, p. 192 *passim*.

The security of urban supply requires food for inhabitants, energy and water for industrial and domestic consumption and the disposal of sewage and garbage. In the course of economic development, temporal and spatial externalization takes place. Heinrich von Thünen conceived of food production for the city in the form of concentric circles around the city. Obviously, this is no longer the case today. A relationship to the land around the city has largely disappeared. With the help of logistical chains, the goods of daily consumption are brought in from great distances: in the 1990s, a large portion of the mineral water in Almaty in Kazakhstan came from the German Federal Republic, 4000 km away, rather than from the mountains surrounding it. German mineral water companies with superior logistics were able to beat out the local competition. The tomatoes in the Ver-o-peso market in Belém do Pará are being imported primarily from Sao Paulo, 4000 km away, and only in insignificant quantities from the nearby tomato fields of Sao Tomé. The fresh tuna for sushi in New York is flown in from the Pacific. The wine in a standard supermarket in Berlin comes from South Africa, Chile, Australia and of course France and Italy. Transportation over long distances represents an enormous ecological problem. The transport involved in world trade requires the amount of energy consumed by a population of 150 million, like that of Brazil, not to mention the further environmental consequences of urban consumption. The city therefore is in itself an ecological

problem, because it fosters globalization, and enlarges the geographical reach due to the facilitation of transportation powered by fossil fuels.

Secondly, urbanization reflects a shift in the social structure of a given society: the gradual disappearance of the peasantry over the course of the twentieth century. Thirdly, development theories and policies are concerned because the move of peoples from the countryside into the cities increases their individual vulnerability. Agricultural subsistence strategies are outdated when the vast majority of peoples live in cities. This is one of the differences between the economic crisis of the 1930s and the debt crisis of the 1980s and 1990s in the last century. Urban subsistence strategies, however, are very different from the agricultural ones. Their basis is the emergence of an urban informal sector.

Thus, cities are comfortable compared with the land around them. However, sometimes the countryside comes back into the city. In Brazil the landless peoples of the MST movement squat in peripheral urban sites for their assentamentos. The movement can better protect the squatters, and the markets for their informal activities as street vendors, etc., are nearby.

Second megatrend: globalization

Globalization has been defined as a process of space and time compression, that is, as a new mode of structuring time and space (i.e., the coordinates in which peoples organise their daily, 'banal' life.⁴ Time is being socialized according to a capitalist logic, as social commitments and rhythms are being dispensed with. The present is 'omnipresent',⁵ because the historical time-space is converted into a time point whose coordinates are determined by an economic rather than a social and natural rationale: 'we sit in a "time cell" which is called "the present"'. And we live so exclusively in this present that we remain blind to the future and therefore also to the possible futurelessness that lies before us', wrote Günther Anders decades ago.⁶ The marketability of behaviour, in the economy as well as other societal subsystems, results as much in the forgetting of the past as in the loss of the future as a project. The present rules over the past and the future. The future appears at best as a 'presented future',⁷ as a discounted future, or as a simple extrapolation, as a 'defuturized' future and is thus transformed into the present of a later time wrenched out of the past.⁸ The market economy thus replaces historical time with physical-logical time, as Nicholas Georgescu-Roegen so convincingly argued in his thermo-dynamic critique of neo-classical economics.⁹ The future is, in this conception, a quantitatively bigger 'present plus' inflated in its prognosis and the past is correspondingly a 'present minus'.

The axis of time is not a historically unchangeable, directional vector but rather a spoke that turns around a centre which is clearly determined by the present.

The same can be said of the understanding of space. It is subjected to organizational reason, brought accurately and methodically 'to order'. Global networks follow an abstract logic, in the same way that the Spanish city planners planted Latin American cities on the landscape, indifferent to natural conditions, guided only by considerations of political rule. Buarque de Holanda applies here the metaphor of the 'tile layers', who tiled cities onto the landscape like in a random space.¹⁰ The lack of consideration for the actual space applies equally to the development of modern traffic and energy supply systems, from artificial lakes to dams to power-lines: here too the 'tile layers' are at work. Here is also the point of access for cultural globalization, which numbs local and national cultures, its integrating effect made possible by the synchronicity of local presents and its global reach. The cultures of the world are being melted by globalization into one worldwide hybrid culture.

The omnipresence of the present is one result of time and space compression. The other is the acceleration of all processes in time and their extension in space. Therefore, at the end of the twentieth century a new form of 'arbitrage capitalism' is emerging, fostered by financial innovations and the rapid growth of financial markets as well as by new communication and transportation technologies. Arbitrage capitalism means that economic actors exploit differentials in time and space of exchange rates, interest rates, stock-market quotations, tax and other regulations, etc., by moving capital flows from one place in the world to others in real time. The system is as exploitative as pre-industrial merchant capitalism but on a larger, global scale. It is apparently independent on real production or consumption and therefore much faster than production processes. This appearance however is an illusion. Ultimately the financial superstructure is dependent on the surplus value produced by labour. Therefore the tendency of acceleration has limits.

In the world of arbitrage capitalism circulation chains have a hierarchical order. On the top are the big players of the international financial system, which exploit differentials of interest, exchange rates, and stock-market quotations. They are moving huge amounts of capital from one place to another following the smallest differentials in the global space – and triggering by doing so currency and financial crises which affect even big economies (Mexico 1994, several Asian countries 1997/98, Russia 1998, Brazil 1999, Turkey and Argentina 2000 & 2001). They intrude into an 'emerging market' (declared as such by international organizations like the IMF or by positive ratings by rating agencies) and exploit favourable conditions before leaving the 'emerging market'; that is, changing a given country or a given region by means of massive

capital flight into ‘submerging markets’. Nearly all regions in the world are interlinked via financial relations, and therefore a region can only be understood in its dynamics insofar as the global space and the decision-making units are taken into account.

Arbitrage compels economic agents into the informal economy, because this is the only place where it seems to be possible to avoid the hard budget constraints of global monetary standards. But the informal sector itself is a source of arbitrage activities, primarily on the small scale of shuttle traders, street vendors or minor speculators. Thus the ‘victims’ of arbitrage contribute to its maintenance. Whatever form arbitrage takes – criminal mafia-like businesses or harmless informal sector activities – its impact on the competitiveness of the place of production in global competition is negative.

The nation state is not disappearing under the conditions of globalization. The ‘pluriverse’ of nation state, however, is undergoing profound transformation. Firstly, geopolitical unilateralism is resurging, with the result that a dominant nation state exerts its power on all the other states. This change indicates that the tendency towards a deregulated, liberal ‘geo-economy’¹¹ is countervailed by the other tendency towards a new geopolitical order with nation states of very different relational power within the world structure, and possibly towards a new form of imperial regulation, dominated by the United States. Secondly, there are states collapsing or failing or being captured by private actors such as transnational corporations or the powerful cartels of organized crime. This is the case in parts of Africa, but also in some of the transition countries of the former Soviet Union and in some OECD countries whose governments are highly influenced by firms or mafia-like organizations, as in the United States or Italy. Systematic grand corruption is the most usual means of capturing the state (by bribing public servants) for the private objectives of economic actors. Thirdly, the ‘orderly’ states of the OECD transform from ‘Keynesian’ interventionist states following the target of full employment and social security into ‘competition states’ following the predominant objective of increasing competitiveness in inter-place competition.¹² Thus, the nation state does not disappear, but it is deeply changing the ‘logics of action’.

Globalization is the economic facet of juridical and political deregulation, social flexibilization and liberalization. According to these tendencies, wider spaces for private profit maximization strategies are created and exploited by economic actors on a world-wide scale. It is now possible to avoid the expensive or time-consuming regulations of the shield of social protection which traditionally guarantee human and/or socioeconomic security. Globalization, therefore, can also be interpreted as a transition into a state of less security, more instability and therefore an increased necessity for people to protect themselves against the

destabilizing consequences of global processes on a local scale. Some actors are able to exploit the situation of insecurity for their private well-being and profit so that they are better off in the time of globalization than before. They belong to the winners. On the other hand, there are many peoples across the world who belong to the exploited and are therefore forming the great majority of globalization losers. Traditional class structure and social cleavages are now reflected on a global scale.

Globalization, therefore, means inclusion for some in the wealth-creating global process and exclusion of others who are not capable of participating in the gratifications of wealth-production. Financial markets exert a major influence on these contradictory tendencies. It is well known that since the end of the 1970s and the beginning of the 1980s, real interest rates on financial markets have been exceeding real growth rates of gross national product, so that debt service has to be deviated from the economic substance of debtors in the world. From 1950 until the early 1970s, the real growth rate of GNP in the G-7 countries was 3% above the real interest rate; since then, real interest rates have exceeded the real growth rate of GNP by about 2%.¹³ This is one of the most important causes of the increased debt burden in the world and of the one-sidedness of the distribution of debt on the one hand and of monetary wealth and assets on the other hand. A permanent flow from debtors to creditors therefore results in an ever-growing disparity of income and wealth in the world. The well-known North-South divide is not only characteristic of the global system but also present on a national scale – it can even be observed in most cities. The North-South divide is not a geographical but a social, political and economic one.

Third megatrend: Informalization

Cities promise inclusion into global processes via airports and harbours, banking facilities and centres of decision. They function as the nodes in a global network, as ‘global cities’.¹⁴ The countryside, in contrast, is an excluded area. The consequence is a turnabout of dependency-structures: Originally, the city depended on the surplus produced in agriculture. Now, agriculture depends on the city where inputs (machines, chemical ingredients, etc.) come from, prices are formed, logistical centres and financial institutions are located, and regulations are worked out. The countryside seems to be an appendage of the city, and this situation – or perhaps mere perception – is one reason for rural-urban migration, which has taken place for decades in most parts of the world and has triggered a huge increase of urban population.

It is also an illusion to imagine the modern or postmodern city as a big service centre for highly qualified wealthy citizens engaged in the growing information

sector. Instead, modern cities are divided into formal and informal sectors, characterized by gentrification and segmentation, by the included formal and excluded informal workers. The formal economy is providing positive gratifications for those who are working within it, while the informal one is providing precarious jobs and insecure living conditions. Human security – from public security to health and food security to education and shelter – is a real experience only for some parts of the city, and not for all people concerned.

Empirical evidence illustrates that the informal economy in the past three decades has experienced momentum to a much greater degree than the formal one:

Table 3:
Share of informal jobs.

| | Non-agricultural employment | <i>Urban employment</i> | | New jobs | Women's share of the informal sector in the non- agricultural labour force |
|------------------------------------|--------------------------------|-----------------------------|-------|----------|--|
| | | Female | Male | | |
| Latin America and the Caribbean | 57 | | 40 | 83 | |
| Bolivia | | 74 | 55 | | 51 |
| Brazil | | 67 | 55 | | 47 |
| Chile | | 44 | 31 | | 46 |
| Colombia | | 44 | 42 | | 50 |
| Mexico | | 55 | 44 | | 44 |
| Venezuela | | 47 | 47 | | 38 |
| | 78 | | 61 | 93 | |
| Africa | | | | | |
| Benin | | 97 | 83 | | 62 |
| Guinea | | 84 | 61 | | 37 |
| Kenya | | 83 | 59 | | 60 |
| Mali | | 96 | 91 | | 59 |
| South Africa | | 30 | 14 | | 61 |
| Tunisia | | 39 | 52 | | 18 |
| | 45-85 | | 40-60 | | NA |
| Asia | | | | | |
| India | | 91 | 70 | | 23 |
| Indonesia | | 88 | 69 | | 43 |
| Philippines | | 64 | 66 | | 46 |
| Thailand | | 54 | 49 | | 47 |

Source: Wiego: Women in Informal Employment, pp. 8, 9

The informalization of cities is a reality in the course of global transformations of labour relations, financial markets and political regulation. In the expert report 'Urban 21' on behalf of the world commission 'Urban' in 1999, a major basic trend of modern cities was identified: 'informal and too fast' growth of urban agglomerations. Migration into cities and high birth rates are responsible for a future oversupply of minimally qualified working people and therefore of

an increase of those strata with low income and restricted access to public goods. These people are the reserve of the informal sector, which generates only low tax receipts for the city government and therefore fosters a chronic neglect of infrastructure per inhabitant. One of the consequences of this insane development is a considerable increase of poverty and misery in big cities. Women are especially affected by poverty and informalization.

Informal structures and logics of individual as well as institutional and administrative action are responsible for the increasing insecurity of peoples. Many lose social security protection when they are excluded from the formal workplace. Public security is diminishing due to urban financial crises and then being privatized so that only the rich are able to buy security as a market commodity. The public goods which provided formal security disappear; the private supply on markets is accessible only for those who dispose of monetary purchasing power, and for the great majority, informal provision of formerly public goods becomes a condition of survival. Thus the informal city is a divided city, consisting of a secure and an insecure part, of rich and poor barrios, of those who are included into gated areas and the others who are excluded or accepted as a new servant class for the people living in gated areas.

Insofar as citizens are forced to buy security on markets they are transformed from citizens into consumers, into demanders of a supply provided by private firms. Of course, one has to be careful because it is an empirical question, how the private supply of goods such as security really substitutes the public sphere for the private one. It is also a difference between privatization and commercialization, which means different things in different circumstances. However, in many parts of the world this or that form of privatization of security and other public goods takes place, so that private security agencies as the suppliers of a commercialized good find their markets, as do suppliers of light weapons and other armament. This development has also an impact on the police forces in a given country, especially in the big cities. On the one hand they are the agents responsible for public security, on the other hand they collaborate with private security providers and sometimes they belong themselves to private security firms, so that they must have an interest in a certain degree of insecurity in order to enhance the demand for security products. Corruption always plays a crucial and decisive role. And corruption by its very nature is a method of private appropriation of public goods by means of the collusion between private and public actors.

The most visible phenomenon of the divide between excluded and included areas of insecure and secure places is the gated community, which exists in nearly all big cities, although its organization and articulation with 'the rest of the city' varies widely from country to country and city to city. Country clubs,

the predecessors of gated communities, have a long tradition. But gated communities and condominiums are a step forward from the rural horizon into the urban one. Gated cities are the special aspect of the formal-informal divide of modern cities. One response to the growth of gated community is an analogous reaction of those excluded. They also organize their barrios as protected areas where access is controlled by organized gangs of the quarter. So the modern city is tendentially prone to a double segregation, one actively realized by the rich in gated areas, the other defending against insecurity by organizing control of popular quarters.



Once again it has to be noticed that these tendencies exist only *in abstracto* and they are very different from place to place, so that much empirical research has to be undertaken in order to understand better the historically, culturally, politically very specific articulations between inclusion and exclusion of local places in times of globalization. One general feature of the informal city, however, has to do with time and space-compression under conditions of globalization: the rapid growth of cities that has already been mentioned in the section on urbanization above. When cities grow slowly, the divide between formal and informal does not – or only to a minimal extent – exist. Such cities grow organically, with regard to land and time-scape and to the human and social needs of the citizen. Therefore, the old cities from the medieval period through the nineteenth century appear as having been idyllic places. Only in

times of modernity have new quarters been attached to the old structures, obeying the logic of the 'tile layers'. An example of this may be seen on a map of a small Adriatic port-town in Apulia, south of Bari. It is designed for optimal orientation by visitors of the town. The contrast between the seemingly unordered maze of streets of the *centro storico* and the right angles of the new housing blocks along perfectly straight streets is striking: 'like tiles', as Buarque de Holanda described Spanish city planning in Latin America. The contours of the old city conform to those of the coast and land, the new city conforms to the logic of the city planners, indifferent to natural features. The prices of the properties are more relevant than the natural relief. The logic of capital supersedes the logic of nature. The *centro storico*, which seems as disordered as many modern barrios or favelas, has grown over centuries and not within months – and this time difference is decisive for the relationship of formal and informal urban structures. Informality thus can be interpreted as a consequence of acceleration and different time and space regimes of urban processes.

Whereas in Apulia the square-structure has been built only in recent decades since the 1960s and the 'disorderly' structure of the *centro storico* evolved over centuries before, in modern cities of Latin America the contrary occurred. Initially there were the formal structures of a properly planned city, like Oskar Niemeyer's city of Brasilia, or the city of Maraba in the Eastern part of Amazonia which was designed based on the leaves of the *castanha de para* tree, or Villanuevas city of Caracas. But after the formal and orderly city environment with streets and squares and skyscrapers was built, the disorderly invasion of squatters took place. They occupy the apparently empty spaces between the formal buildings. The informal city is then built in a very short time. This marks the difference between the slowly developing *centro storico* of an old town and the fast construction of a shantytown in the midst of a formal city-structure so that the whole city seems to display a disarticulated and informal structure.

The global informal city and its emancipatory potential

Contemporary cities have no permanence; they exist as long as they are able to perform a function within the global network. The 'eternal city' that Rome once was, no longer exists. Of course, cities do not disappear from the earth, but they change their functional place in global space with heavy consequences for the territory and the people living there. The globalized city is thus reduced to a place within the network where particular functions are efficiently served. The remaining characteristics – the way of life of inhabitants, the culture, the architectural style, history and tradition – are façades covering the bare functionality of the city in the global network. This aspect of disembeddedness

is the flip side of the city's inclusion in a global network, it is the price to be paid for functional acceptance as a 'global city'. This inclusion results, however, in the exclusion of all others. All those included in the global network live according to standards which are not those of the local inhabitants. These are the standards of a globalized 'McWorld'-society. They build their 'gated communities' as ghettos in which those who belong to the world of money can segregate themselves from the rest of the urban populace. Those excluded live in the global city as well, but gain little or nothing from it. Many of them are pushed into a subaltern position as members of a new service class which functionally serves the formal centres in the back offices or within the gated communities as housemaids in the households of the better-offs.¹⁵ In the global city, they are dependent on local circumstances for their own security if not survival.

Cities have always been places where the contrast between societal wealth and poverty was so evident that it became a metaphor for social contrasts, inequality and social conflicts. The rich have always protected themselves from the 'imposition' (as they perceived it) of the poor. But the rich had as much of a territorial connection to the city as the poor and this united them, as it formed a common basis for city politics, in particular for the provision of public goods, from urban parks to a local healthcare system, from education to food safety and security, from public security to the city's esteem in the world.

Disorder seems to be the rule of informal growth. However, this obviously is only half of the truth. On the one hand, order comes back, thanks to those techniques which Michel Foucault (1978) described as 'technologies of the self'. The counterpart of the un-governability of modern cities is 'governmentality' (*gouvernementalité*), i.e. the emergence of a mentality of the governed which allows the government (and its elitist allies) to govern the people. The dialectics of surveillance, punishment and a mentality of self-discipline¹⁶ are a powerful basis for 'neoliberalism from below':¹⁷ people organize their lives by making use of even poor market possibilities, and by doing so they follow on a low and predominantly local or regional level the same logic of action that the elite and the big transnational actors apply on a higher and global scale. The congruence of the logics of action is an important factor of integration of socially different societies and divided classes. The segregation between the excluded and the favoured included seems to disappear.

This is the reason why books like that of Hernando de Soto on the 'Mysteries of Capitalism'¹⁸ are so successful, not only in Latin America but also worldwide. De Soto offers simple and at a first glance convincing solutions for those excluded to become included in the system of formal gratifications by applying the common logic of the system (i.e., through the establishment of private

property rights). This ‘founding act’ immediately changes the formerly excluded poor and informals into small-scale capitalists because thanks to the property rights they have capital stock at their disposal. This might help them, for example, by providing the collateral to get financial credit for (small) investment from a bank. The message is simple and clear: ‘dead capital’ must be revitalized through the distribution of property rights, and immediately the informal and poor vendor will begin to develop the inborn properties of man as entrepreneur. Then the difference between such individuals and the powerful managers of transnational corporations is only a gradual, and not a principal one. All men and women are following the same logic of action.

Of course, this interpretation is simplistic, and even dangerous. Men are not by birth entrepreneurs. Moreover, it is socially impossible for everyone to become a capitalist, since some must remain workers to be hired by capitalists. Whether credit is useful for the new entrepreneurs depends on the interest rate and the overall debt service to be paid. Last but not least, in modern societies most property is already distributed so that one has to deal with competing property rights. The case presented by de Soto as a positive example is the colonization of the ‘wild West’ in North America during the nineteenth century and the simple distribution of property rights which transformed illegal squatters into honourable landowners. But de Soto forgets the violence involved and the eradication of great parts of the indigenous population. However, de Soto’s argument can also be reversed, e.g. by the movements of the landless people in Brazil (MST) for redistribution of property rights to land which is not used and idle or not adequately used by big *latifundistas*.

The neoliberal project from below is helpful for governments to resolve local economic problems stemming from the working of global markets. Former Brazilian president Fernando Henrique Cardoso explicitly conceived the informal sector as a kind of ‘shock absorber’ of globalization:

Globalization means competition founded on higher levels of productivity. That is to say more output per unit of labour. Unemployment has therefore resulted from the very reasons that make an economy successfully competitive.... [Therefore it is necessary] to make the regulatory framework of labour more flexible so as to preserve jobs by, for example, allowing companies and workers to negotiate freely a range as wide as possible of issues such as a number of working hours and vacation days, payment of hours exceeding the normal working day, etc. Flexibility of labour relations should also result in lesser costs for the hiring of workers.... In countries with large population such as Brazil and India consideration must also be given to the operation of the so-called informal economy as far as job creation is concerned.¹⁹

Today, it is obvious that informality is an expression of structural adjustment to global market forces, sometimes under the pressure of international financial institutions (IMF, World Bank, etc.). This development perfectly fits into the model of governmentality, since workers very often prefer a bad and precarious, often over-exploited job in order to be included in society and to avoid the social stigma of exclusion. The ideology of self-manship behind these tendencies is extremely supportive to the functioning of the market system even though it is crisis-ridden and producing growing unemployment.

On the other hand, informality and its related insecurity give rise to the development of alternative forms of economic and social cooperation, the rediscovery of the old experiences of cooperatives and of a 'moral' or 'solidary' economy. Sometimes the *economía solidaria* is nothing more than the product of a state of economic emergency. When the formal money disappears, new 'informal' forms of money, new currencies of exchange circles are coming into existence, e.g. in Argentina in the course of the deep and disastrous financial crisis after 2001. In Chile, cooperatives emerged as organizations of mutual assistance during the military dictatorship after 1973 in order to overcome the social consequences of neoliberal economic reforms. In Brazil, the new president Lula da Silva has established a new branch of his government to deal with the challenges of new forms of self-help and self-organization in society. This formal government initiative is the converse of the cynical instrumentalization of the informal sector as a shock absorber against the negative effects of globalization as proposed by Fernando Henrique Cardoso.

The informal sector is understood as an offspring of alternative economic and social forms for achieving a bundle of political objectives: the formation of cooperatives and micro-credit organizations, the support of local and regional networking through use of modern media, education for capacity-building and (as Pierre Bourdieu phrased it) 'economic alphabetization' in order to critically understand the logics of globalization, public subsidies to cooperatives for compensating their disadvantages on formal markets, support of cooperation with universities and other public institutions, creation of a legal framework which contains much more than the mere distribution of property rights.

The basic idea is that the informal places in the global space are much more than an excluded area. They represent an alternative form of response to the overarching tendencies of globalization. People themselves have reacted collectively against the social forces of exclusion, sometimes organized, very often supported by NGOs and intellectuals from research institutions (in Brazil, Herbert de Souza, called Betinho, represents perfectly this kind of 'organic intellectual' who is part of the movement. Additionally, universities give advice to workers who have occupied their enterprises, to landless people who occupy

their land in order to push for long-promised land reform, to street vendors who try to establish a legalized formal marketplace, to indebted small firms on reducing debt burden, etc. Formal institutions such as city councils or national governments can assist these initiatives of self-organization and empower people in their barrios, favelas or quarters. However, it also has to be taken into consideration that empowerment on a local level is not sufficient, due to the tendencies of globalization. Self-organization and empowerment must be complemented by global regulations. Otherwise the positive effects will be very small. In Venezuela the articulation of local and global processes is obvious due to the weight of the PDVSA, the state run oil-producing corporation, in Venezuelan social, political and economic life. The PDVSA is the main exporter; it contributes immensely to the state budget, its economic and political power is overwhelming, not to mention the symbolic power of this global player in the national self-consciousness.

The message is very clear and unequivocal: excluded informal workers are potentially the germ cell of a new solidary economy which deserves our intellectual attention and political support and economic assistance. It is the countervailing weight to the model of “neoliberalism from below”. Paul Singer, the Brazilian social scientist and adviser to President Lula on the “solidary economy” explains in a paper: “The “solidary economy” is...a choice of work and lifestyle, in which cooperation and solidarity are preferred to competition of everyone against each other. It is a way of conceiving the world (*Weltanschauung*) that has been critical of capitalism in Brazil and everywhere else for the last two centuries. So it is not only a response to need – although that is the main point – it is also a choice.... It also represents a new response by left-wing parties and unions, church members, Indians and small peasants to the demands for a better society, combining individual freedom, social and economic security with equality.’²⁰ The alternative of a solidary economy is so strong because the neoliberal alternative – whether it comes from above or emerges from below – offers no potential for a decent and secure life in peace and freedom for a majority of peoples all across the world. But we also have to be aware that an urban solidary economy, based on the experiences of the informal sector, needs protection against the negative effects of globalization through the introduction of new modes of regulation of trade, of financial flows, of migration and of cultural exchange.

Notes

- ¹ Elmar Altvater & Birgit Mahnkopf (2002) *Globalisierung der Unsicherheit. Arbeit im Schatten, schmutziges Geld und informelle Politik*, Münster: Westfaelisches Dampfboot.
- ² Nicholas Georgescu-Roegen (1971) *The Entropy Law and the Economic Process*, Cambridge; Harvard University Press.
- ³ Eric Hobsbawm (1998) *Das Zeitalter der Extreme. Weltgeschichte des 20. Jahrhunderts*, München: Deutscher Taschenbuchverlag.
- ⁴ Milton Santos (1994) “O retorno do território”, in M. Santos, M. de Souza & M. L. Silveira (eds.) *Território – Globalizacao e Fragmentacao*, São Paulo: Hucitec/Anpur.
- ⁵ Norbert Lechner (1994) “Marktgesellschaft und die Veränderung von Politikmustern”, *Prokla* 97, 24:4, pp. 549–562.
- ⁶ Günther, Anders (1972) *Endzeit und Zeitende. Gedanken über die atomare Situation*, Munich: Beck, pp.120–121.
- ⁷ Günther, Anders (1972) *Endzeit und Zeitende. Gedanken über die atomare Situation*, Munich: Beck, p. 123.
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- ⁹ Georgescu-Roegen (1971) *The Entropy Law and the Economic Process*, Cambridge: Harvard University Press.
- ¹⁰ Sérgio Buarque de Holanda (1995) *Die Wurzeln Brasiliens*, Frankfurt am Main: Edition Suhrkamp, p. 101.
- ¹¹ Edward Luttwak, *Turbokapitalismus* (1999) *Gewinner und Verlierer der Globalisierung*, München: Europa Verlag.
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- ¹³ David Felix (2002), “The Rise of Real Long-term Interest Rates since the 1970s: Comparative Trends, Causes and Consequences”, in Enquete-Kommission, *Globalisierung der Weltwirtschaft*, Deutscher Bundestag.
- ¹⁴ Sassen, Saskia (1991) *The Global City: New York, London, Tokyo*, Princeton: Princeton University Press.
- ¹⁵ Sassen, Saskia (1991) *The Global City: New York, London, Tokyo*, Princeton: Princeton University Press.
- ¹⁶ Stephen Gill, (2001) “Das globale Panopticon. Finanzwesen und Überwachung nach dem Kalten Krieg”, *Prokla* 124, 31:3, pp. 353-382.
- ¹⁷ Wilpert, Gregory (2003) “Land Reform in Venezuela”, *New Left Review* 21 (May/ June 2003).
- ¹⁸ Soto, Hernando De (2000) *The Mystery of Capital. Why Capitalism Triumphs in the West and Fails Everywhere Else*, London: Bantam Press.
- ¹⁹ Fernando Enrique Cardoso, speech, Sao Paolo, 28 January 1996.
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